

# INITIAL DISCUSSION PAPER

## Proposed Revisions to Compliance Policy and Procedures Manual Chapter 5, Returns

### Issue

Shall Compliance Policy and Procedures Manual Chapter 5, *Returns*, be revised as recommended by staff?

### Background

The Compliance Policy and Procedures Manual (CPPM) is the State Board of Equalization's (Board) guide for compliance functions including registration, account maintenance, and collections. The nine chapters contained within the CPPM incorporate procedures and techniques that have evolved over the years and have proven to be sound and practical. Board employees are required to follow these procedures to ensure fair and uniform treatment of taxpayers.

CPPM Chapter 5, *Returns*, provides guidelines on the type of returns provided by the Board, the receipt and processing of sales and use tax returns and payments by the Board's district offices, and the tracking and administration of delinquent accounts. These guidelines enable staff to effectively administer the returns and payments submitted by taxpayers.

The statutes concerning returns and payment are primarily in Revenue and Taxation Code (RTC), Division 2, Part 1, Chapter 5, *Determinations*, (commencing with section 6451). RTC section 6452 provides for the filing of returns for the purpose of reporting sales or use tax. Under this section, every seller of tangible personal property must file a sales tax return with the Board on or before the last day of the month following a three-month quarterly period. Similarly, consumers of tangible personal property are required to file a use tax return unless sales tax has been paid to a retailer authorized to collect the tax. Returns are to be filed in a form prescribed by the Board, which may include electronic media. Persons required to file must deliver the return and payment to an office of the Board. The Board may authorize a filing extension under certain circumstances. RTC section 6471 provides that taxpayers whose estimated tax liability is \$17,000 or more per month make monthly prepayments of tax. RTC sections 6479.3 to 6479.5 provide the conditions for paying tax by electronic funds transfer.

CPPM Chapter 5 was last revised in August 1998. Revisions proposed for the chapter include:

- Incorporation of procedural changes resulting from the adoption of IRIS and ACMS.
- Addition of information about new return filing and local tax allocation procedures.
- Deletion of material being moved to other CPPM chapters.
- Incorporation of changes in grammar, format and terminology.

The proposed revisions to CPPM Chapter 5 are shown in Exhibit 1. Details of these revisions are discussed below.

# **INITIAL DISCUSSION FOR ISSUE PAPER**

## **Proposed Revisions to**

### **Compliance Policy and Procedures Manual Chapter 5, Returns**

Discussion of the proposed revisions to Chapter 5 is scheduled for the Business Taxes Committee meeting on June 20, 2001.

#### **Discussion of Proposed Revisions**

##### Procedural Changes

The implementation of the Integrated Revenue Information System (IRIS) replaced most manual administrative functions with computer based procedures. In Chapter 5, the computer procedures affected the processes for the determination and adjustment of amounts unreported by taxpayers. Prior to IRIS, the processes for issuing a determination and adjusting returns or determinations used a number of different forms and a stand-alone computerized procedure. IRIS integrated all these processes into a compliance assessment module (CAS). The revised procedures are outlined in Sections 540.200 through 540.230.

In addition to the development of IRIS, the Sales and Use Tax Department (Department) developed the Automated Compliance Management System (ACMS). This system helps staff to process accounts by providing an on-line system to track and comment on steps taken to resolve taxpayer issues. In Chapter 5, the issue being managed by ACMS is the resolution of delinquent accounts. These are accounts for which the taxpayers have not filed returns, have been mailed Notices of Hearing, or have had their licenses or permits revoked for any reason. Procedures for administering delinquent accounts are covered in Section 550.000, *Delinquency Control*. Procedures currently described in Chapter 5 are based on manual processing of delinquent accounts. The use of IRIS and ACMS to generate and work delinquent accounts has resulted in new procedures and timeline for the clearance or revocation of delinquent accounts. These procedures and the timeline are incorporated into Section 550.000.

##### New Return Filing Procedures

Since the last revision of the chapter, the Department established new return filing procedures. These include electronic filing (e-filing) and the use of Form 79-B, *Individual Use Tax Return*, by unregistered individuals to report use tax. Information about e-filing will be incorporated in Section 505.035. Information about Form 79-B is incorporated in Section 505.030.

##### Local Tax Allocation

One purpose of the sales and use tax return is to accurately allocate the local and district tax that the Board collects on behalf of cities, counties, and special tax districts. To date, general information about local and district tax has not been included in Chapter 5. The proposed revisions will include an overview of local and district tax reporting in a new section.

# **INITIAL DISCUSSION FOR ISSUE PAPER**

## **Proposed Revisions to**

### **Compliance Policy and Procedures Manual Chapter 5, Returns**

#### Material Moved to Other Chapters

The current draft of Chapter 5 includes detailed information about the processing of use tax returns filed for unreported purchases of vehicles, vessels and aircraft. The proposed revision transfers this information to Exhibit 4 in Chapter 5 pending completion of the new CPPM Chapter 8, *Consumer Use Tax*. Completion of Chapter 8 is scheduled for December 2001.

#### Revisions to Grammar, Format, and Terminology

Proposed grammatical revisions are minor and intended to conform Chapter 5 to current usage. Proposed revisions to format include the addition of a separate appendix for certain tables and charts and the removal of illustrations of Board-issued returns from the body of the chapter. To obtain samples of returns and other documents, users of the manual are referred to the current versions posted to the Board's Internet and Intranet websites. Proposed revisions to terminology standardize references to the Board's district offices and update the names of headquarters units where appropriate.

#### **Summary**

The sales and use tax return process is a vital component of the Board of Equalization's tax administration. Returns are the primary source of information about revenue owed and are the conduit through which these revenues are collected by the Board. When a taxpayer fails to file a return or pay the amount owed, accurate and efficient tracking and processing enables staff to initiate action to ensure that a taxpayer reports and pays the proper amount of tax. CPPM Chapter 5 details the policies and processes used to ensure efficient administration of the tax return process.

Prepared by the Program Planning Division, Sales and Use Tax Department

Current as of 02/05/2001

CPPM5 - IDP.doc

# **Compliance Policy and Procedures Manual**

## **Chapter 5**

### **Returns**



Sales and Use Tax Department  
*California State*  
*Board of Equalization*

*This is an advisory publication providing direction to staff administering the Sales and Use Tax Law and Regulations. Although this material is revised periodically, the most current material may be contained in other resources including Operations Memoranda and Policy Memoranda.*

*Please contact any board office if there are concerns regarding any section of this publication.*

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## CHAPTER V

RETURNS  
500.000

## GENERAL STATEMENT ON RETURNS

505.000

## WHO MUST FILE RETURNS

505.010

Under section 6452 of the Revenue and Taxation Code (RTC), every seller and every person liable for sales tax must file a return with the Board. In addition, every person who purchases tangible personal property that is subject to the use tax must file a return if he or she did not pay the use tax to a retailer required to collect the tax. RTC section 6453 requires sellers to show their gross receipts from retail sales on the returns or the total sales price of property subject to use tax. Purchasers must show the total sales price of the property purchased, the storage use, or consumption of which property became subject to use tax during the preceding reporting period.

Accordingly, Each taxpayer who has an active account under any of the revenue laws administered by the Board is required to file returns and pay amounts due at regular intervals as prescribed by law and required by the Board. Unless returns are filed, the Board remains uninformed as to whether any tax is due and if so, what amounts are involved. the amount of tax due. A return must be filed even though there may be no transactions to report or tax to pay. In addition, sellers and purchasers not currently registered by the Board may be required to file returns if they make sales or untaxed purchases sufficient to qualify them as retailers or consumers.

## RETURNS SUBJECT TO AUDIT VERIFICATION

505.020

All of the revenue laws administered by the Board provide for the self-assessment of taxes due thereunder. All of the returns on which the self-assessments are made are subject to verification by audit.

## RETURN FORMS FURNISHED BY THE BOARD

505.030

Under RTC section 6452, Returns must be in such form as prescribed by the Board, including electronic media. Under all of the laws administered by the Board, the Board furnishes tax return forms are furnished to taxpayers. If a taxpayer has been informed by the Board that he or she is required to make monthly prepayments of their quarterly tax under the Sales and Use Tax Law, the Board furnishes Prepayment forms are also furnished to the taxpayer,s who have been notified by the Board that they are required to make monthly prepayments of their quarterly tax under the Sales and Use Tax Law.

The Board normally provides standard return forms to registered taxpayers. The use of a standard form is not only a service to the taxpayer, but it also expedites the Board processing of returns after they are filed. For most taxpayers, the form is on paper and is mailed to the taxpayer as third-class mail. The mailed form includes certain preprinted taxpayer information such as the account number, the tax area code, and a bar code to expedite processing. Effective for the quarter ending December 31, 2000, certain taxpayers are given the option to file electronically through a service provider called an Electronic Return Originator (ERO). (See section 505.035.)

The Board also provides Form 79-B, Individual Use Tax Return, for consumers who wish to voluntarily report use tax on untaxed purchases. This form is available on the Board's Internet and Intranet websites.

**Failure to receive a return form from the Board does not relieve the taxpayer of the obligation to file a timely return.** A taxpayer who has not received a form must obtain the appropriate form and file it with the Board within the time specified by law. A taxpayer may obtain a sales and use tax return form from any Board office, through a call to the Board's Information Center at 1-800-400-7115, or by accessing the Board's website at [www.boe.ca.gov](http://www.boe.ca.gov).



**ELECTRONIC FILING (E-FILING)****505.35**

Effective December 2000, the Board of Equalization (BOE) implemented its Electronic Filing (e-filing) Program, which provides taxpayers an alternative to filing paper returns. Specifically, taxpayers are able to file returns and pay any amount due using the Internet.

The E-Filing Program works in partnership with Electronic Return Originators (ERO), who will gather the return and payment information from taxpayers and transmit it to the BOE in real time. The ERO will be able to communicate with our system to determine if the taxpayer is eligible to e-file and, if so, which period is available to be e-filed. Upon receipt of a valid transmission, the BOE will return a Confirmation of Filing Number to the ERO, which will be passed on to the taxpayer. Additionally, the BOE will provide the taxpayer the option of warehousing the transaction until the due date.

The e-filing system uses the system to make inquiries on accounts and return validation information, such as name, address, eligibility, etc. The current period eligible to be e-filed will be determined from information stored in the system. Eligibility will be based on the most current information available about an account. Electronic returns will be processed through the system in the same manner that paper returns are processed.

Participation in the E-Filing Program is voluntary. Taxpayers who e-file for one period are not required to e-file for another period. Therefore, returns will continue to be mailed to all taxpayers. Taxpayers interested in participating in the E-Filing Program must enroll with an ERO listed on the BOE web-site. As part of the enrollment process, the ERO will provide eligible taxpayers with the Declaration of Intent to E-File. The taxpayer must agree to the conditions set forth in the declaration before proceeding. The taxpayer then provides the tax return information to the ERO, who forwards it to the BOE. Once the filing has been accepted for processing, the BOE will send a Confirmation of Filing Number.

Only sales and use tax, single outlet retailer accounts filing Form BOE-401-A, with schedule A only, or Form BOE-401-EZ are eligible to E-File as of January 2001. Accounts that meet these criteria are eligible to e-file even if they are revoked. In addition, temporary accounts with a single location are eligible to e-file, as are any state agencies and California municipalities that are granted automatic extensions (see Sections 535.050 and 535.060) provided they qualify as a single outlet retailer. If an account is revoked at the time of application, a warning message will be sent to the ERO along with the Confirmation of Filing Number. The warning message will inform the ERO that receipt of a return does not complete the taxpayer's reinstatement process. The ERO is required to forward this message to the taxpayer.

Accounts that are ineligible for E-Filing include, but are not limited to:

- Tax or fee program accounts other than Sales and Use Tax.
- Accounts filing amended or corrected returns.
- Accounts that require reporting on multiple schedules, other than single outlet Schedule A.
- Accounts in bankruptcy/assignment status.
- BOE designated confidential accounts and Secretary of State designated confidential accounts.
- Accounts required to make monthly estimated prepayments of tax.
- Accounts claiming a manufacturer's exemption deduction.
- Accounts claiming the aircraft adjustments for local tax and require a supplemental schedule.
- Mandatory Electronic Funds Transfer (EFT) accounts.

When an account is not eligible for e-filing, a message will be returned to the ERO referring the taxpayer to the eligibility requirements for e-filing on the BOE's web-site, and the toll free telephone number for the Customer and Taxpayer Services Information Center. The ERO will forward the message to the

taxpayer. A taxpayer that requires additional assistance can call the Information Center at 1-800-400-7115, and a representative will provide the reason(s) for ineligibility to e-file.

Potential EROs must enroll with the BOE by submitting a completed Form BOE-400-ELF, Electronic Return Originator Application. Rules, procedures, technical requirements of the program, and the BOE-400-ELF are presented in the E-Filing Handbook and Specifications. An ERO that wishes to participate in the E-Filing Program must pass both the qualifications review and system testing. System testing is a predetermined selection of return scenarios that validate the ability to transmit data to, and receive data from, the BOE in a specified format. After successful completion of testing, the ERO name and hyperlink will be added to the alphabetical listing of authorized ERO on the BOE web-site. Taxpayers can choose any authorized ERO to transmit their electronic return to the BOE. Taxpayers can choose a different ERO for each return period. An ERO is in no way affiliated with the BOE and the BOE does not receive any portion of the fees charged to the taxpayer for the e-filing service.

Returns with tax due must have the tax paid in full at the time of e-filing. Currently, only Automated Clearing House (ACH) Debit transactions will be accepted. The ERO will be required to collect the taxpayer's banking information along with the amount to be paid and forward it to the BOE for processing. The BOE will create the Direct Debit file and forward it to the State's bank for processing.

Provisions for filing other types of returns will be phased in over time.

## **RETURN FORMS UNDELIVERED BY THE POST OFFICE REQUIRING ADDRESS CHANGES 505.040**

The United States Postal Office Service does not forward third class mail if the mailing address is incorrect, e.g., tax returns. Consequently, Undelivered returns forms that are returned to the Board as undeliverable are directed to the field district offices or initiating Headquarters Section headquarters section so that the condition causing their return may be corrected. Priority should be given to remailing the returns by first class mail when a forwarding address is known. Special first class envelopes are available from Headquarters the Reproduction and Supply Supply Section in headquarters (envelope #E 14-A). Any corrections to the registration record should be made on-line at this time.

When returns filed with Headquarters provide information that must be changed in the district, headquarters will refer copies of the filed returns received in Sacramento that give information which must be changed in to the appropriate district. The Headquarters Registration Unit Account Analysis and Control Section and the Information Center are only authorized to make mailing address, DBA and minor business address (e.g., a suite number) changes. All other changes must be made by the district office or initiating Headquarters Section.

## **RETURN FORMS FURNISHED BY DISTRICT OFFICES**

**505.050**

District offices should furnish Return Forms are furnished to:

- ⊕ Any person required to file who does not receive a return and who contacts a field district office. The district staff should enter the following information on the return form provided to the taxpayer: ~~should be furnished a return form with the taxpayer's name, address, area code, account number and the period covered by the return entered thereon.~~
- ⊕ Taxpayers whose new applications and change of mailing address forms are processed after certain dates for each reporting period. District staff should be furnished a the appropriate tax return form and should note on the application which returns were furnished. See the Calendar of Sales Tax Functions for applicable dates.

It is important that the staff provide the proper return form be provided to taxpayers, together with any supplemental schedules as required. The Print Sub-system Menu of the on-line registration program allows the printing of various return forms and completion instructions for new accounts.

If time does not permit mailing a return to the taxpayer for a timely filing, the taxpayer should be instructed to obtain a copy of the return form from the Board's Website or to make his/her return

**in letter form. (See section 505.090.)** The taxpayer is under an obligation to report and pay the amount of tax due before it becomes delinquent, but the Board is under no legal obligation to furnish ~~returns; therefore, late~~ returns. Late filing and payment of a return because of failure to receive a return form is not normally considered a cause for the abatement of penalty charges.

## PREPAYMENT FORMS FURNISHED BY DISTRICT OFFICES

505.060

Any person required to make a monthly prepayment of his/her quarterly sales and use tax who does not receive a prepayment form and who contacts a ~~field~~ district office should be furnished with a prepayment form. The name, address, area code, account number, and the month for which the prepayment is being made should be entered on the form before it is given to the taxpayer. Prepayment forms should only be furnished to persons who have been notified by the Board that they are on prepayment status.

## INSTRUCTIONS TO TAXPAYERS

505.070

Clear instructions regarding the preparation and filing of returns should be given to all persons at the time they file applications. Taxpayers should understand clearly when returns are due and also the consequences of failure to file a timely return and remit payment timely. Proper instruction of the taxpayer is the responsibility of the staff person accepting the application.

Instructions should cover not only how to fill out the front of the Form BOE-401-A, but also any subsidiary schedules required of the taxpayer. Subsidiary schedules may include:

- Form BOE-401-A, Schedule A – Computation Schedule for District Tax
- Form BOE-531, Schedule B – Detailed Allocation by County of 1% Uniform Local Sales and Use Tax
- Form BOE-530-B, Local Tax Allocation for Temporary Sales Locations and Certain Auctioneers
- Form BOE-531-F, Schedule F – Detailed Allocation by City of 1% Uniform Local Sales and Use Tax
- Form BOE-531-X, Schedule X – Detailed Allocation by County of Sales Exempt from Local Tax

It is particularly important to inform taxpayers about the proper method of completing schedules for reporting local and district taxes. The Board has a legal obligation to collect, allocate and disburse taxes on behalf of counties, cities, and special tax districts. If taxpayers fail to correctly prepare the subsidiary return, the Board will be unable to properly allocate local and district taxes.

An applicant for a permit who will be required to file yearly returns will be given a copy of Form BT-400-Y, Important Reminder for Accounts Reporting on a Yearly Basis.

## PREPARATION OF TAX RETURNS BY BOARD EMPLOYEES

505.080

As a general rule, a Board employee should not prepare the return for the taxpayer. In exceptional cases where the taxpayer has difficulty in writing English or is physically incapacitated and unable to write, and produces his/her records with the request that the return be prepared, an employee of the Board may do so, ~~but in such cases so~~. In such cases the following notation should be made ~~on the back of~~ the return: **"Prepared from unverified data furnished by the taxpayer,"**; with the signature of the employee beneath the notation.

In no case should an employee of the Board sign the return for the taxpayer or prepare a return outside the taxpayer's presence. If the taxpayer is illiterate and unable to sign his name, an employee may witness the taxpayer's mark.

## WHAT CONSTITUTES A RETURN

505.090

A return will be deemed to have been filed when the taxpayer provides in writing the following items:

1. A request that the correspondence be accepted as a return or statement, regardless of how brief, indicating that the taxpayer is attempting to file a ~~return~~ return, and

2. The reporting period for which the correspondence (return) is ~~filed~~ filed, and
3. The amount of tax due or that no tax is due.

Even though the correspondence ~~may may be void of gross sales and deductions, showing only report the net tax figure~~, it may be ~~acceptable~~ accepted as a return if the information listed above is provided. When the taxpayer has shown due diligence in making every effort to submit what he or she feels is a return or indicates that he or she did not receive a return form, the correspondence submitted should be accepted as a return.

If a taxpayer's check indicates the reporting period and the measure of the tax being paid, it may be processed as a return. As a general rule, if tax due can be calculated from the information provided, the correspondence should be processed as a return. ~~It is important to always consider the taxpayer's intent. Asking the question "Is the taxpayer attempting to file his or her tax return or just sending the tax payment for the period?" will help in determining how to process the correspondence and any payment.~~ On the other hand, a transmittal letter, memorandum, or note accompanying a payment of tax does not qualify as a return if all of the items above are not present. For instance, a statement that a payment represents tax due for a reporting period is not sufficient because the taxpayer has not indicated that the correspondence represents a return. If the taxpayer is paying tax and intends to send the return separately, the tax payment should not be accepted as a return. It is important to always consider the taxpayer's intent. Asking the question "Is the taxpayer attempting to file his or her tax return or just sending the tax payment for the period?" will help in determining how to process the correspondence and any payment.

Any sales and use tax return form received in headquarters or the field without tax information but with a tax payment should be processed as a return. The Return Analysis Section has responsibility to review these returns to determine if this is a recurring problem and if appropriate, bill the 10% penalty for not filing a timely return ~~form~~.

## RETURNS WITHOUT PAYMENT

505.100

If a return in any form is received after the due date without the required remittance of the tax, the delinquency will be cleared, but these returns will be billed ~~on appropriate billing forms~~, and become collection items.

## FULLY PAID RETURNS

505.110

Returns will be considered fully paid even though the payment accompanying the return is underpaid, if the underpayment does not exceed \$10.00 including penalty and interest. If the shortage exceeds \$10.00, the taxpayer will be notified and, if necessary, billed (see Section 545.000).

## SUPPLEMENTAL OR AMENDED RETURNS

505.120

Guidelines for supplemental and amended returns:

- ⊕ ~~● Taxpayers should be instructed to file supplemental or amended returns when they discover an error was made on the return originally filed for a period.~~
- ⊕ ~~● Photocopies of original returns should be used whenever possible with corrected figures entered on the side of the original figure in a different color pen.~~
- ⊕ ~~● A cover letter explaining the changes should be attached to the amended return and the notation **AMENDED RETURN DO NOT PROCESS AS ORIGINAL** should be written on the face of the return.~~
- ⊕ ~~● A new return without the amended notation and a cover letter should **never** be used. Doing so may result in two returns being posted for the same period and an erroneous billing.~~

Taxpayers should be instructed to file supplemental or amended returns when they discover an error was made on the return originally filed for a period. Photocopies of original returns should be used whenever possible with corrected figures entered on the side of the original figure in a different color pen. A cover letter explaining the changes should be attached to the amended return and the notation **AMENDED**

**RETURN DO NOT PROCESS AS ORIGINAL** should be written on the face of the return. A new return without the amended notation and a cover letter should **never** be used. Doing so may result in two returns being posted for the same period and an erroneous billing.

Errors on previously filed returns may also be corrected by preparing a Tax Return Adjustment Voucher, Form BT-1043, when verification of records is not required and the amount is fully paid.

## **ALTERATIONS OF RETURNS BY BOARD EMPLOYEES**

**505.130**

Under no circumstances should a Board employee alter a return or any other form or document ~~be altered by a Board employee~~ after it has been signed and delivered to the Board by the taxpayer.

## **RETURNS WITH PAYMENTS ~~INTENDED FOR THIS BOARD BUT DIRECTED~~ TO ANOTHER STATE AGENCY IN ERROR**

**505.140**

Other ~~S~~state agencies sometimes receive remittances intended for this Board and, conversely, the Board may receive remittances actually intended for other ~~S~~state agencies.

Remittances intended for this Board and ultimately received by it after having been misdirected to another ~~S~~state agency will be regarded as timely if postmarked or if received by the other state agency on or before the due date of the tax. Under such circumstances, penalty and interest will not apply.

**SALES AND USE TAX RETURNS AND PREPAYMENTS****510.000****REPORTING PERIODS OF RETURNS****510.010**

The Sales and Use Tax Law provides that returns are due and payable either:

- ⊕ ~~●~~ Quarterly. (~~Sales and Use Tax Law~~ RTC §section section section 6452.)
- ⊕ ~~●~~ Quarterly with Prepayment. Upon notification by the Board, accounts with an average tax measure exceeding \$17,000 per month will be placed on a quarterly prepayment basis. These accounts are required to make two monthly prepayments per quarter in addition to the regular quarterly return. (RTC section 6471) See Section 510.025 for due dates.
- ⊕ ~~●~~ Other than quarterly periods. Taxpayers may be required upon notification to file returns monthly, annually or for other fiscal periods. (~~Sales and Use Tax Law~~ RTC §section 6455.)

**DUE DATES OF RETURNS****510.015**

Accounts reporting quarterly must file and pay within one month following the close of the reporting period.

Accounts reporting monthly must file and pay within one month following the close of the reporting period.

Accounts reporting on a calendar or fiscal yearly basis must file and pay within one month following the close of the reporting period. Whenever a calendar or fiscal yearly reporting account closes out before the end of the reporting year, a closing return must be filed on or before the last day of the month following the close of the quarterly period in which the business was discontinued.

Returns for temporary accounts must be filed on or before the last day of the month following the month in which the last sale took place.

**PENALTY AND INTEREST FOR FILING RETURNS LATE****510.020**

Persons who file late returns and payments under the Sales and Use Tax Law must pay a penalty of 10 percent of the tax. Interest also applies at the modified adjusted rate per month, or fraction thereof, established pursuant to RTC §section 6591.5, from the date on which the tax or the amount of tax required to be collected became due and payable to the state until the date of payment. See Exhibit 1 for rates and computation method.

**DUE DATES AND AMOUNTS DUE FOR PREPAYMENT RETURNS****510.025****First, Third and Fourth Quarters**

For the first, third and fourth calendars quarters, the first prepayment is due on or before the 24th day of the month following the first month of the quarter. The second prepayment is due on or before the 24th day of the month following the second month of the quarter.

The taxpayer must pay not less than 90 percent of ~~his/her~~ the taxpayer's combined state and local sales and use tax liability for that month, or an amount equal to one-third the measure of tax liability reported on the return filed for the corresponding quarterly period of the previous year, multiplied by the state and local tax rate in effect during the month for which the prepayment is made, providing the ~~seller~~ taxpayer or ~~his/her~~ the taxpayer's predecessor was in business during the entire quarter.

## Second Quarter

The first prepayment of the second quarter is due on or before the 24th day of the month following the first month of the quarter. The taxpayer must pay not less than ~~95-90~~ percent of ~~his/her~~ the taxpayer's combined state and local sales and use tax liability for that month, or an amount equal to one third the measure of tax liability reported on the return or returns filed for the corresponding quarterly period of the previous year, multiplied by the state and local tax rate in effect during the month for which the prepayment is made, providing the ~~seller-taxpayer~~ or ~~his/her~~ the taxpayer's predecessor was in business during the entire quarter.

The second prepayment of the second quarter will be for the period May 1 through June 15, and is due on or before June 23. The taxpayer is required to pay either:

~~1-An amount equal to 95-90 percent of the combined state and local sales and use tax liability for May, plus 95-90 percent of the amount of state and local sales and use tax liability for the first 15 days of June,~~

OR

~~2-One hundred forty two and one half thirty-five (142.5135) percent of the tax liability for May,~~

OR

~~3-Fifty (50) percent of the tax liability reported on the return or returns filed for the corresponding quarterly period of the previous year, multiplied by the state and local tax rate in effect during the months for which the prepayment is made, providing the seller-taxpayer or his/her the taxpayer's predecessor was in business during the entire quarter.~~

## PENALTY FOR FILING PREPAYMENT FORMS LATE

510.030

Persons who make a prepayment after the due date but before the due date for the quarterly return must pay a penalty of 6 percent of the amount of the prepayment.

~~There is no penalty for deficiency in prepayment unless the deficiency. If the failure to make a prepayment is due to negligence or disregard of the law, in which case the a penalty is of 10 percent of the deficiency is due as provided in RTC section 6478.~~

Persons who fail to make any prepayment prior to the normal due date of the quarterly return, but file a timely return and payment for the quarter, will be assessed a penalty of 6 percent of the required prepayment amount of the tax liability, as prescribed in ~~Sales and Use Tax Law~~ RTC §section section 6471, for the period for which the prepayment was due. If the failure was due to negligence or intentional disregard of the law, the penalty is 10 percent per ~~Sales and Use Tax Law~~ RTC §section section 6478.

These penalties are not accumulative; only one penalty will apply.

## ELECTRONIC FUNDS TRANSFER (EFT) PAYMENTS

510.035

### Criteria for EFT Payments:

Any person whose estimated tax liability averages \$20,000 or more per month, as determined by the Board, shall remit amounts due by EFT.

Any person who collects use tax on a voluntary basis is not required to remit amounts due by EFT.

Any person whose estimated tax liability averages less than \$20,000 per month, or any person who voluntarily collects use tax, may elect to remit amounts due by EFT with the approval of the Board. The election will be operative for a minimum of one year.

### EFT Payment Due Dates:

Due dates for EFT payments on returns or prepayments are the same as set forth in Section 510.010, 510.015 and 510.025.

Payment is deemed complete on the date the EFT is initiated, if settlement to the state's demand account occurs on or before the banking day following the date the transfer is initiated. Otherwise, payment is deemed to occur on the date settlement occurs.

### **Penalties Applicable to EFT Accounts:**

Any person remitting payments by EFT who fails to file a return on or before the due date of the return shall pay a penalty of 10 percent of the amount of the taxes due, exclusive of prepayments, for the period for which the return is required.

Any person required to remit taxes by EFT who remits those taxes by any means other than appropriate EFT shall pay a penalty of 10 percent of the taxes incorrectly remitted.

~~—Any person required to remit by EFT who fails to timely remit those taxes due, and who is issued a deficiency determination pursuant to §section section 6481 with respect to those taxes, shall, in addition to any other penalties imposed, pay a 10 percent penalty of the amount of those taxes.~~

If more than one of the above penalties apply to a reporting period, the combined penalties cannot exceed 10 percent of the taxes due and payable for the quarterly return.

For more detailed information on EFT payments and interest and penalty provisions, refer to Publication 80, *Electronic Funds Transfer Program*, and Publication 75, *Interest and Penalty Payments*.

## **USE TAX RETURN DOES NOT CONSTITUTE SALES TAX RETURN**

**510.040**

Persons who incur sales tax liability, but who file only a Combined State and Local Consumer Use Tax Return, cannot be considered to have filed so far as the sales tax is concerned. When a person who has filed use tax returns and paid the amount of use tax due has also incurred sales tax liability for which returns were not filed or tax paid, penalty and interest will be added to all amounts of sales tax due whether later reported on returns or established by billing orders. See RTC section 6452, which provides that separate returns must be filed for sales tax and use tax.

## **TAX ACCRUED PRIOR TO DATE OF APPLICATION FOR PERMIT**

**510.050**

When an applicant has engaged in business prior to making application for a seller's permit, the designated reporting basis becomes effective on the actual starting date of the business. All delinquent tax liability should be determined and collected at the time the application is taken.

If an account is placed on a monthly reporting basis, penalty and interest for prior delinquent periods are computed as if the account was on a quarterly reporting basis. For example, if an application for a seller's permit is made on July 15 of a given year with a starting date of January 15 of the same year, the ~~permittee~~permit holder is required to file monthly returns for January through May. Penalty and interest charges will apply as of May 1 for January, February and March return liability. No delinquency charges will apply to April and May returns provided payment is made on or before July 31 of the same year. The returns should be clearly identified with the notation "Tax accrued prior to date of application" to prevent the assessment of additional charges when the returns are processed in ~~h~~Headquarters.

If compelling reasons make it impractical to acquire signed tax returns from the applicant, ~~Notice of Determination, Form BT-1043-D (on-line process), or Field Billing Order, Form BT-414-B,~~ a Compliance Assessment may be used to clear the delinquent periods involved. The same rules as stated above will apply insofar as penalty and interest charges are concerned. See sections 540.200 through 540.230 for information about Compliance Assessments.

## **PRE-COLLECTION OF RETAIL SALES TAX ON FUEL - "SG" ACCOUNTS**

**510.065**

Sellers of motor vehicle fuel, diesel fuel, aircraft jet fuel and other qualifying fuels who accept resale certificates for fuel sold must collect a prepayment of the retail sales tax on each gallon of fuel sold (see Section ~~215~~285.000). These sellers must file return form ~~BT-401-DB~~BOE-401-DB monthly, reporting the gallons or units distributed, sold or transferred and pre-collected amounts due monthly. The due date



for "SG" returns is the 25th of the month following the month in which the fuel was distributed, sold or transferred.).

## **CONSOLIDATED RETURNS**

**510.070**

A person who operates several places of business under the **exact same ownership** may be allowed to report sales for all locations on one return, rather than holding a separate permit for each location. Consolidated seller's permits are issued in these instances. The holder of a consolidated permit, ~~in addition to filing a regular return for each reporting period,~~ must also complete and attach to the ~~return Form BT-530,~~ return, "Schedule C - Detailed Allocation by Suboutlet of Uniform Local Sales and Use Tax," showing the amount of local tax ~~allocable~~ allocated to each separate location according to local taxing jurisdictions identified by area code. If, however, all of the locations are situated in one local taxing jurisdiction, the supplemental schedule is not required.

Consolidated permit holders who have operations away from their permanent place of business, such as contractors and vending machine operators, are required to allocate the local tax for these operations on Schedule B or Form ~~BT-531,~~ BOE-531, in addition to filing ~~Form BT-530 as indicated above.~~ Form BOE-530. Holders of permanent permits that sell at temporary locations may report the local tax on Form BOE-530-B.

## **BT-401-EZ BOE-401-EZ SALES AND USE TAX RETURNS**

**510.075**

The ~~BT-401-EZ,~~ BOE-401-EZ, Sales and Use Tax Short Form was developed to provide simplified reporting for sales tax accounts that make all their sales in a single taxing jurisdiction (i.e., all taxable sales and use are subject to the total tax rate in effect at the taxpayer's business location). Taxpayers who meet certain requirements may file the ~~BT-401-EZ,~~ BOE-401-EZ.

The ~~BT-401-EZ~~ BOE-401-EZ is printed and addressed on the Board's laser printer and mailed with a "worksheet" duplicate copy. Instructions are on the back of the worksheet. Total tax is computed by determining taxable measure and multiplying by the combined tax rate in effect at the business location. The combined tax rate is printed on the return.

### **BT-401-EZ Filing requirements: BOE-401-EZ Filing Requirements**

- All of the taxpayer's taxable sales and use must be subject to the total tax in effect at their business location.
- Only single outlet accounts and accounts with multiple outlets in the same taxing jurisdiction can qualify for "EZ" reporting.
- "EZ" filers cannot sell fuel. (Fuel sellers must file ~~BT-401-GS,~~ BOE-401-GS, which includes a Schedule G for claiming sales tax prepayments on fuel purchases.)
- "EZ" filers cannot sell automobiles, boats or aircraft. (Automobile, boat or aircraft sellers must collect transactions (sales) and use tax based on the address where the automobile, boat or aircraft is registered. These sellers require a return ~~which~~ that includes a Schedule A for reporting district taxes.)
- "EZ" filers cannot make partially exempt sales to aircraft common carriers (Regulation 1805) or engage in fixed-priced contracts and leases. Such transactions require local tax adjustments ~~which~~ that cannot be made on the ~~BT-401-EZ~~ BOE-401-EZ return.
- "EZ" filers cannot be on a prepayment reporting basis and cannot claim sales tax paid to other states. The ~~BT-401-EZ~~ BOE-401-EZ does not provide a means for claiming these credits.

- “EZ” filers may only claim sales for resale, nontaxable sales of food products, sales to the United States Government, nontaxable labor, and sales in interstate or foreign commerce as exempt transactions. Any other exempt transactions cannot be claimed on the ~~BT-401-EZ~~BOE-401-EZ.

### **Assigning and deleting “EZ” returns to an account:Deleting the “EZ” Return code from an Account**

- ⊕● Taxpayers that qualify and request to file on the ~~BT-401-EZ~~BOE-401-EZ should be assigned the account analysis code “S.” Taxpayers do not need to sign any request form.
- ⊕● Taxpayers who are coded for ~~BT-401-EZ~~BOE-401-EZ filing but no longer qualify must have the account analysis code “S” deleted from their registration record using the on-line account maintenance function.
- ⊕● Taxpayers coded for “EZ” filing use the regular sales and use tax return, ~~BT-401-A~~BOE-401-A, for any reporting period that they need to report tax at different rates or claim exemptions not allowed on the ~~BT-401-EZ~~BOE-401-EZ.

## **SCHEDULES ACCOMPANYING RETURNS OF CERTAIN RETAILERSTAXPAYERS 510.080**

To enable the Board to make proper allocation of local sales and use tax to cities and counties under the Bradley-Burns Uniform Local Sales and Use Tax Law, ~~it is required that certain types of special~~some retailers-taxpayers who hold seller's permits must submit a supplemental Schedule B or ~~BT-531~~BOE-531, Detailed Allocation by County of 1% Uniform Local Sales and Use Tax, with their returns. Schedule B provides for a breakdown of the tax to those counties ~~which~~that are entitled to receive it.

Supplemental Schedule B is required of the following types of taxpayers:

- Auctioneers.
- Retailers under ~~RTC~~Section~~section~~ 6015.
- Vending Machine Operators (~~see Subsection 206.020 for limitations~~).
- Construction Contractors (~~see Subsection 206.030 for limitations~~).
- Accounts making sales shipped from out-of-state locations with title passing out of state.
- Sellers who are making purchases ex-tax for use at locations for which a seller's permit is not required.
- Lessors of motor vehicles. These lessors must enter on Schedule B the total local tax reported on Schedule F, Detailed Allocation of 1% Uniform Sales and Use Tax-Leased Vehicles.

See Exhibit 2 for information about which schedules should be filed by specific types of taxpayers.

## **CONSUMER USE TAX RETURNS 510.090**

~~Use tax liability must be reported by any person who makes purchases of tangible personal property to be shipped from an out of state point by sellers who are not engaged in business in this State or who do not hold a Certificate of Registration Use Tax. If the person acquiring the property for use in this State holds a seller's permit, the use tax must be reported on the regular sales and use tax return.~~

~~A person who regularly incurs use tax liability and who does not hold a seller's permit may apply for a Consumer Use Tax account. The taxpayer will be required to file Consumer Use Tax returns which that will be mailed to the taxpayer's address of record at the end of each reporting period.~~

~~If a person who incurs consumer use tax liability prefers not to be registered under a consumer use tax account, they are still required to file a return and pay tax for each quarter during which use tax liability was incurred. Failure to know of these requirements does not relieve the consumer of penalty or interest charges if the return and payment are not made timely. The return need not be filed on a Board supplied form, however, it should be signed by the person required to file the return or his/her duly authorized agent. Returns thus filed are identified with arbitrary account numbers (see CPPM 295.090 to 295.135).~~

Reference: ~~Sales and Use Tax Law Sections 6202, 6452 and 6453~~  
~~Sales Tax Regulation 1685~~

**CONSUMER USE TAX RETURNS:****VEHICLES/MOBILEHOMES, VESSELS, AIRCRAFT, CUSTOMS****510.100**

The Consumer Use Tax Section (CUTS) administers the Sales and Use Tax Law as it applies to the purchases of vehicles and mobilehomes made from persons not licensed or certificated pursuant to the Vehicle Code, Health and Safety Code, or, in the case of vessels and aircraft, from a person not required to hold a seller's permit by reason of the number, scope, and character of the person's sales of the same; and to purchases made in foreign countries and hand carried through U.S. Customs by California residents.

Consumer Use Tax returns used specifically for CUTS' programs are:

- BOE 401-CSA for Vehicles/Mobilehomes
- BOE 401-CSB for Vessels
- BOE 401-CSP for Aircraft
- BOE 401-CSI for Customs Declarations

These returns are not to be confused with the Consumer Use Tax return BOE 401-E sent to purchasers who regularly incur use tax liabilities and have an SU account with the Board.

Procedures for the administration of liabilities by CUTS are detailed in CPPM Chapter 8, scheduled for completion in December 2001. Until the completion of Chapter 8, these procedures can be found in Exhibit 4.

**VEHICLE / VESSEL USE TAX RETURNS****510.100****Persons Not Required To File**

~~Persons who purchase vehicles or vessels for use in California from anyone who is not licensed or certificated pursuant to the Vehicle Code, Health & Safety Code (mobilehomes) or in the case of vessels, is not regularly engaged in the sale of same, and who register the vehicle or vessel with the Department of Motor Vehicles or Department of Housing and Community Development (mobilehomes) are not required to file a use tax return. The amount of use tax on the vehicle or vessel will be computed and collected by DMV or HCD, if applicable.~~

~~If an applicant establishes to the satisfaction of the Department of Motor Vehicles that he/she acquired a boat or boat trailer in a transaction that was a retail sale with respect to which the retailer paid sales tax, the use tax will not apply.~~

~~If the applicant does not present evidence of payment of sales tax by a boat or boat trailer dealer, then the Department of Motor Vehicles will collect the use tax.~~

**Persons Required To File**

~~Persons who purchase vehicles (as defined in the Vehicle Code), vessels or mobilehomes for use in California from anyone who is not licensed or certificated pursuant to the Vehicle Code or Health and Safety Code and who do not register the vehicle, vessel or mobilehome with DMV or HCD are required to file a return.~~

**Measure And Due Dates**

~~—The measure of the tax is the purchase price of the vehicle, vessel or mobilehome.~~

~~—The return must be filed and tax paid on or before the last day of the calendar month following the month in which the return form is mailed or presented to the taxpayer.~~

~~If, for any reason, a return form is not mailed or presented to the taxpayer, the payment shall be made not later than the last day of the 18th month following the month in which the vehicle first entered California, and for vessels, on or before the last day of the 12th month following the month of purchase.~~

**Residence**

The tax is due from residents and nonresidents alike who, at the time of out of state purchase, intended using the vehicle, vessel or mobilehome in California other than in a transitory manner and who brings it into this State.

It will be presumed that a vehicle, vessel or mobilehome purchased by other than a member of the armed services was purchased for use in California if it enters the State within 90 days after the date of purchase.

With respect to vehicles, vessels or mobilehomes, ordered on or after October 1, 1970, prior out of state use in excess of 90 days from the date of purchase to the date of entry into California, exclusive of any time of shipment or storage for shipment to California, will be accepted as proof of an intent that the vehicle, vessel or mobilehome was not purchased for use in California.

With respect to purchases before October 1, 1970, refer to Pamphlet 23, Occasional Sales of Vehicles, Vessels and Aircraft.

#### Responsibility Of Person Required To File

Although the Board examines the records of the Department of Motor Vehicles and Housing and Community Development and notifies persons of their probable use tax liability and will routinely grant maximum extensions of no more than one month when requested, the responsibility for filing a timely return and payment rests with the taxpayer.

Reference: Section 6202 Sales and Use Tax Law

Sales Tax Regulation 1610

### **AUTOMOBILE USE TAX LIABILITY OF MILITARY SERVICE PERSONNEL — 510.110**

The ninety day rebuttable presumption under Section 6248 of the Sales and Use Tax Law does not apply with respect to vehicles purchased out of state by a member of the armed services on active duty if the purchase is made prior to the effective date of his/her discharge and his/her intention to use the vehicle in California results from official orders transferring him/her to California and not from his/her own independent determination. For purchases made on and after October 1, 1969, the serviceperson will be considered to have made his/her own independent determination to use the vehicle in California if he/she contracts to purchase the vehicle after he/she has received official orders transferring him/her to California. Therefore, use tax would apply.

### **INTEREST AND PENALTY ON VEHICLE, MOBILEHOME AND VESSEL USE TAX — 510.120**

Interest and penalties may accrue on liabilities of purchasers for use tax arising from purchases of vehicles, vessels or mobilehomes from retailers who were not licensed or certificated pursuant to the Vehicle Code or Health and Safety Code.

Interest and/or penalties would apply to the use tax where:

1. A purchaser was delinquent in transferring registration of the vehicle, vessel, or mobilehome through DMV or HCD. The purchaser is considered to be delinquent in transferring registration, and thereby subject to penalty, and/or interest when application for registration with DMV or HCD was not made within 30 days of the change in ownership, even if the change in ownership was never registered with DMV or HCD as in the case of some multiple transfers.
2. If the purchaser was late in filing a return with the Board.
3. If the purchaser underpaid or failed to pay the tax to either DMV, HCD or the Board.
4. A purchaser of a vehicle, vessel, or aircraft registers it outside the State of California for the purpose of evading the payment of taxes shall be liable for a 50 percent penalty of any tax determined to be due on the sales price of the vehicle, vessel, or aircraft (§section section 6485.1).

The following table illustrates a number of specific situations in which penalties and interest is properly applied to use tax due from purchasers on purchases of vehicles, vessels or mobilehomes:

## Where Purchaser "Has" Applied For Registration With Department Of Motor Vehicles Or Department Of Housing And Community Development

| HOW TAX WAS PAID                                                                                          | HOW PENALTY AND INTEREST APPLIES                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Use tax was timely paid to DMV/HCD and the owner paid the correct amount of tax.                       | No penalty or interest is due.                                                                                                                                                                                                                                                                                                                                                                                                      |
| 2. Use tax was timely paid to DMV/HCD, but the owner paid less than the correct amount of tax.            | ***The Board issues a determination for the additional tax. Interest is due on additional tax per Section 6482. No penalty for late payment applies because Section 6591 does not apply to determinations. Penalties for negligence, intentional disregard, or fraud may be asserted, if warranted, on the additional tax per Sections 6484 or 6485.                                                                                |
| 3. Use tax was <u>not</u> timely paid to DMV/HCD, but the owner paid the correct amount of tax.           | Section 6292 paragraph (b) provides the late payment penalty applies per Section 6591 and is collected by DMV/HCD, but no interest is due.                                                                                                                                                                                                                                                                                          |
| 4. Use tax was <u>not</u> timely paid to DMV/HCD, and the owner paid less than the correct amount of tax. | ***Section 6292 paragraph (b) provides the late payment penalty applies per Section 6591, but no interest is due on the tax paid to DMV/HCD. However, when the Board issues a determination for the additional tax, interest is due on the additional tax asserted by the Board per Section 6482. Penalty may be due, if warranted, on the additional tax per Sections 6484 or 6485 for negligence, intentional disregard or fraud. |

## Where Purchaser "Has Not" Applied For Registration With Department Of Motor Vehicles Or Department Of Housing And Community Development

| HOW TAX WAS PAID TO THE BOARD                                                                    | HOW PENALTY AND INTEREST APPLIES                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. No *return was filed.                                                                         | ***Determination is issued and penalty is asserted on the unpaid tax by the Board pursuant to Section 6511 (Failure to file a return). Interest is asserted per Section 6513. Fraud penalty per Section 6514 may also be asserted if warranted.                                                                                                                                                |
| 3. A *return was filed, but the use tax transaction was not reported, asserted per Section 6482. | ***Determination is issued for the unpaid tax. If warranted, the penalty for either negligence or fraud may be asserted pursuant to Section 6484 or 6485. Interest would be due.                                                                                                                                                                                                               |
| 4. A late *return was filed, but the correct amount of use tax was paid.                         | No additional tax is due. Late penalty and interest are due per Section 6591.                                                                                                                                                                                                                                                                                                                  |
| 5. A late no remittance *return was filed.                                                       | A statement of demand is issued for tax. Late penalty and interest are due per Section 6591.                                                                                                                                                                                                                                                                                                   |
| *Return refers to either a sales and use tax return or a consumer use tax return.                | ***The finality penalty of 10% as specified in Section 6565 applies <u>only</u> to the tax for which determinations are issued by the Board if not paid within the required time limit. However, if a petition for redetermination is filed timely, the finality penalty does not apply. Also, the finality penalty does not apply in circumstances where a determination has not been issued. |

### Field and Headquarters Processing

— A Field Billing Order (BT 414 B) should be prepared to determine any vehicle, vessel or mobilehome use tax liability which results from an investigation. If the determination for liability results from an audit, such liability should be included in the Report of Field Audit Report, Form BT 414 A.

— If the purchaser holds a permit number issued by the Board, the Field Billing Order or Audit Report will be transmitted to the Headquarters Audit Control Unit using the purchaser's normal permit number.

— If the purchaser does not hold a permit number, an "SA" prefix number for vehicles/mobilehomes or an "SB" prefix number for vessels must be obtained from the Consumer Use Tax Section prior to transmitting the Field Billing Order or Audit Report to the Headquarters Audit Control Unit.

— The reports will be processed in the same manner as other Field Billing Orders for Field Audit Reports. In the case of Field Billing Orders which are transmitted to Headquarters under a "SA" or "SB" prefix, an extra copy should be prepared and transmitted to Headquarters Audit Control, together with the original FBO. Upon receipt, Audit Control will transmit this extra copy to the Consumer Use Tax Section for filing.

## AIRCRAFT USE TAX - RETURNS

510.130

### Persons Required To File

~~Any person who purchases an aircraft for use in California from anyone other than an aircraft dealer holding a seller's permit shall file a return and pay the use tax to the Board or claim the purchase as specifically exempt.~~

~~The tax is due from residents and nonresidents alike who, at the time of purchase, intended using the aircraft in California other than in a transitory manner.~~

#### Measure

~~The use tax due is measured by the total purchase price of the aircraft, including component parts.~~

#### Due Date

~~A purchaser who holds a seller's permit, or to whom a consumer use tax account number has been assigned, must include the tax in his/her return for the period in which the aircraft was purchased.~~

~~All other purchasers shall file a return and pay the tax on or before the last day of the next calendar month following the month in which a return form is mailed or the return shall be made not later than the last day of the twelfth month following the month during which the aircraft first entered California or was purchased in California, whichever is the earliest.~~

#### Responsibility Of Person Required To File

~~The Board examines the records supplied by the Department of Motor Vehicles, Housing and Community Development, U.S. Coast Guard, and the Federal Aviation Agency, and notifies persons of their probable use tax liability. Although the Board may grant extensions of no more than one month when requested, the responsibility for making a timely return and payment rests with the taxpayer.~~

## USE TAX INFORMATION RETURNS

510.140

### Persons Required To File

All persons who solicit orders for tangible personal property to be delivered to consumers in this State by out-of-state sellers who are not engaged in business in California and who do not have a Seller's Permit or Certificate of Registration, Use Tax, must file information returns.

Situations where information returns are required should be extremely rare since an out-of-state seller is considered to be "engaged in business" in California if the seller has agents or solicitors in this State for the purpose of selling, delivering, or taking orders and must collect the tax.

### Due Date ~~And~~ Content

The returns must be filed quarterly on or before the last day of the month following the close of each calendar quarter. The returns must show:

1. The name and address of each purchaser
2. Description and sales price of property
3. Date ~~upon which~~ the order is taken
4. Approximate date ~~at which~~ the property will be delivered to the purchaser

The persons soliciting the orders do not incur any tax liability and, therefore, no tax is paid with these returns. Their purpose is to supply the Board with information relative to persons who incur use tax liability. The filing of information returns is required by RTC section 6203 and Regulation 1687, Information Returns.

*Reference: Section 6203 Sales and Use Tax*

*Sales Tax Regulation 1687*

## MAIL REMITTANCES

510.150

The effective date of payment is the postmark date. If the check, money order or other negotiable instrument was dated prior to the postmark date, the effective date will be the postmark date. However, if there is correspondence or other dated information not under the control of the taxpayer, such as a registered mail receipt, then that date will be considered the effective date of payment.

Payments delivered by recognized delivery services, such as Federal Express, will be treated in the same manner as payments received through the U.S. Mail.

## **POSTAL METER DATES**

**510.160**

Since postal meters can be controlled by the taxpayer, postal meter dates do not have the same significance as post office cancellation dates. When a postal meter date and a post office cancellation date both appear on an envelope, the post office cancellation date is the determining date. If only a postal meter date is present, that date will become the effective date.

## **REMITTANCES AND RETURNS DEPOSITED IN OFFICE MAIL SLOTS DURING HOURS RECEIVED WHEN OFFICES ARE CLOSED**

**510.170**

Remittances and returns which are slipped under the door or through the mail slot of any Board office after closing time and found upon opening the office on the next business day, will have an effective date of the last business day preceding the day on which the office is opened and the documents found.

## **PAYMENTS MAILED BUT NOT RECEIVED**

**510.180**

### **When Considered Timely**

If a remittance is placed in the mail but is not received by the Board, a replacement remittance mailed after the due date may be considered as having been received as of the date of mailing the original remittance, provided that satisfactory proof is furnished that the original remittance was mailed timely, properly addressed and with sufficient postage.

### **Satisfactory Proof of Timely Mailing**

Satisfactory proof is considered to be a declaration under penalty of perjury from the taxpayer, stating that a remittance covering the liability for the period in question was mailed by the taxpayer on or before the due date to the Board of Equalization and with sufficient postage.

—In ~~some~~ cases where someone other than the taxpayer mailed the remittance, consideration will also be given to an affidavit, ~~or~~ certification or declaration under penalty of perjury by such person, that they actually deposited the remittance in the mail. (~~RE: BT-135, BOE-135~~, Declaration of Timely Mailing).

A declaration in letter form is acceptable, but must contain the “under penalty of perjury” statement. Corroborative evidence obtained by examination of the taxpayer's records or bank account may be required in some instances.

## **CANCELLATION OF PENALTY AND INTEREST DUE TO LATE MAILING**

**510.190**

In order to consider cancellation of penalty and interest charges assessed because of apparent late mailing of a payment, a declaration under penalty of perjury must be submitted by the person who deposited the remittance in the mail. If received in the ~~field, district~~, the document should be transmitted to ~~h~~Headquarters Return Analysis Section with the recommendation of the compliance supervisor. If it is believed that the facts are not as set forth, the recommendation should so state. Form ~~BT-135, BOE-135~~, Declaration of Timely Mailing, is available for these requests.



## **EFFECTS OF HOLIDAYS ON DUE DATES**

**510.200**

Legal holidays include any day so appointed by the President of the United States or by the Governor of this sState.

If a legal holiday falls on a Sunday, the following Monday is then a legal holiday and the tax can be paid on Tuesday without penalty or interest if the tax due date was on Saturday, Sunday or Monday. For a list of legal holidays, see Exhibit 3.

**EFFECTIVE DATE OF PAYMENT FOR RETURNS--DECISION TABLE****510.210****CONDITION**

|                                                                                                              |   |   |   |   |   |   |   |
|--------------------------------------------------------------------------------------------------------------|---|---|---|---|---|---|---|
| DUE DATE OF PAYMENT FALLS ON WEEKEND OR LEGAL HOLIDAY                                                        |   |   | Y | Y |   |   |   |
| PAYMENT RECEIVED IN POSTMARKED ENVELOPE                                                                      | Y |   |   |   |   |   |   |
| PAYMENT RECEIVED THROUGH MAIL SLOT (NOT MAILED) PRIOR TO 8 AM FIRST BUSINESS DAY AFTER DUE DATE              |   | Y |   |   |   |   |   |
| PAYMENT RECEIVED IN ANY MANNER (EXCEPT U.S. MAIL OR OTHER COMMERCIAL DELIVERY SERVICE) ON OR BEFORE DUE DATE |   |   | Y |   | Y |   |   |
| PAYMENT RECEIVED FOR IN FIELD OR OFFICE FIRST BUSINESS DAY AFTER DUE DATE                                    |   |   |   | Y |   | Y |   |
| PAYMENT RECEIVED AFTER DUE DATE IN POSTAL METERED ENVELOPE                                                   |   |   |   |   |   |   | Y |

**ACTION - EFFECTIVE DATE IS:**

|                                              |   |   |   |   |   |   |   |
|----------------------------------------------|---|---|---|---|---|---|---|
| POSTMARK DATE                                | X |   |   |   |   |   |   |
| FIRST PRIOR BUSINESS DAY                     |   | X |   | X |   |   |   |
| DATE PAYMENT RECEIVED IN OFFICE OR FIELD     |   |   | X |   | X | X |   |
| POSTMARK DATE TAKES PRECEDENCE, IF AVAILABLE |   |   |   |   |   |   | X |

**EFFECTIVE DATE OF ACCOUNTS RECEIVABLE PAYMENTS - DECISION TABLE****510.215****CONDITION - CHECK OR MONEY ORDER IS:**

|                                                               |   |   |   |   |   |
|---------------------------------------------------------------|---|---|---|---|---|
| DATED PRIOR TO POSTMARK DATE                                  | Y |   |   |   |   |
| DATED SAME DAY AS POSTMARK DATE                               |   | Y |   |   |   |
| CHECK RECEIVED THROUGH MAIL SLOT (NOT MAILED) PRIOR TO 8 A.M. |   |   | Y |   |   |
| RECEIVED IN DISTRICT OFFICE (NOT MAILED) AFTER 8 A.M.         |   |   |   | Y |   |
| RESULT OF ENFORCED COLLECTION ACTION BY LEVY OR WARRANT       |   |   |   |   | Y |

**ACTION - EFFECTIVE DATE OF PAYMENT IS:**

|                                          |   |   |   |   |   |
|------------------------------------------|---|---|---|---|---|
| POSTMARK DATE                            | X | X |   |   |   |
| FIRST PRIOR BUSINESS DAY                 |   |   | X |   |   |
| DATE PAYMENT RECEIVED IN DISTRICT OFFICE |   |   |   | X |   |
| DATE FUNDS BECAME BOARD PROPERTY         |   |   |   |   | X |

## STATUTORY DATE FILING ON SATURDAY, SUNDAY, OR HOLIDAYS

510.220

Certain actions by taxpayers and the Board are limited by statutory periods. This section is concerned with what constitutes timely action when the last day for action falls on a Saturday, Sunday or holiday with respect to:

1. Waiving the statute of limitations, R&TC section 6488.
2. Filing petitions for redetermination, R&TC section 6561.
3. Filing claims for refund, R&TC section 6902.
4. Filing suits for refund, ~~R&TCs 6933~~, RTC sections 6933 and 6934.
5. Issuing determinations, R&TC section 6487.

The first four of these acts are permitted ~~taxpayers, taxpayers~~; the fifth is a duty imposed upon the Board. All of the acts are required by statute to be performed within a specified period of time.

Action is timely if accomplished on the next day following which is not a Saturday, Sunday, or holiday.

Government Code Section 6707 more clearly states the requirements as follows:

*"When the last day for filing any instrument or other document with a State agency falls upon a Saturday, Sunday or holiday, such act may be performed upon the next business day with the same effects as if it had been performed upon the day appointed."*

~~This section of the Government Code applies only to the actions of the taxpayer and not to the actions of the Board.~~

~~Initiation by the Board of any of the actions listed above is limited to issuing determinations. If the final date for issuing a determination within the statutory period falls upon a Saturday, Sunday or holiday, such determination will be timely if issued on the next business day.~~

## SPLIT RETURNS IN BANKRUPTCY CASES

510.230

~~When a Form BT-143, "Information—Bankrupt, Assignor, Receiver or Decedent", is being completed, the person preparing the form should check to see if pre/post petition split returns are required and if they have been filed. If the split return periods have not been cleared, it is the responsibility of the person completing Form BT-143 to contact the taxpayer for the returns and establish follow up controls to be sure they are filed.~~

When a taxpayer files for bankruptcy, collection actions must be suspended for all tax liabilities falling within the bankruptcy period until the filing is settled. Tax liabilities that fall outside the bankruptcy period (post-period liabilities) are due and collectible. A return for a period that includes liabilities incurred during both the bankruptcy period and the post period must be split to accurately record those amounts that are collectible. For general information on bankruptcy filings, see section 754.000 of the CPPM. Information on splitting returns is in section 754.055.

**EXTENSIONS FOR FILING RETURNS****535.000****EXTENSIONS IN GENERAL****535.010**

For good cause, the Board may grant extensions for making any returns or payments due under the revenue laws ~~which that~~ it administers (RTC section 6459). ~~Maximum extensions which that~~ may be granted are one month under all of the laws. Any request for an extension must be filed with the Board within or prior to the period for which the extension may be granted. Requests filed at any other time cannot be considered regardless of the basis for the request. In requesting an extension, the taxpayer need not use any particular form, but the request must be in writing and must state the reason for the request. Form ~~BT-735, BOE-735~~, Request for Relief from Penalty, is available for these requests.

Any person to whom an extension is granted must pay, in addition to the tax, interest at a rate established by ~~RTC Section 19269~~ section 6591.5 of the Revenue and Taxation Code. If the tax is paid within the extension period, the delinquency penalty is not applicable. If an extension is granted and tax is not paid within the extension period, the return and payment are considered delinquent and, in addition to the interest, the delinquency penalty must also be added.

**AUTHORITY FOR GRANTING EXTENSIONS****535.020**

Only the ~~H~~headquarters Return Analysis Section has the authority to grant or deny extension requests for all sales and use taxes. Extension requests for all other taxes are granted or denied by the Special Taxes Department. Every request received in a ~~field~~district office or by a representative in the field must be transmitted to ~~h~~Headquarters for consideration and decision.

The districts have a responsibility to make appropriate recommendations to ~~H~~headquarters of every extension request ~~which that~~ they receive and transmit, and should do so in order to help guide ~~h~~Headquarters in reaching a decision. If ~~field~~district personnel have knowledge that the request is not well founded, they should so report.

**FORM OF REQUEST****535.030**

~~In requesting an extension, the taxpayer need not use any particular form, but the request must be in writing and must state the reason for the request.~~

**REASONS FOR GRANTING EXTENSIONS****535.040**

Extensions may be granted only for good cause. The following are some of the reasons ~~which that~~ constitute or illustrate what is meant by good cause:

1. Death or serious illness of the taxpayer.
2. Death or serious illness of a member of the taxpayer's family or the person who prepares returns.
3. Catastrophes such as fire, flood, etc.
4. Bankruptcy or assignment for benefit of creditors.
5. A legal attachment placed against the taxpayer's bank account by a person, firm or agency other than the Board and without the taxpayer's knowledge.
6. Business emergencies other than those relating to financial difficulties.
7. Insufficient time to compile the return because of the necessity to assemble data from distant points or to post transactions.
8. Misunderstanding regarding a change of reporting basis.
9. Lack of qualified help necessary to compile the return in the required time due to employee terminations or strike.

10. Failure of an inexperienced employee to prepare and mail the return in the time required.
11. Return mislaid, lost or inadvertently filed with taxpayer's records and discovered too late for timely filing.
12. Inadvertent failure to enclose remittance with return.
13. Returned to sender by the post office because of insufficient postage.
14. Return and payment mailed to a federal, city or county agency in error. A timely return and payment mailed to another sState agency in error does not require a request for an extension even though the return and payment are sent to the Board after the due date.
15. Absence of the person responsible for preparing the return or signing the check for a period of time sufficient in length to interfere with the timely filing of the return.

This is not a complete list of reasons for which extensions may be granted; other circumstances may develop which would also warrant an extension being granted. Lack of funds with which to make payment is never considered cause for granting an extension. Neither will an extension be granted if the taxpayer is delinquent for a previous period or owes a delinquent balance.

#### **EXTENSION GRANTED STATE AGENCIES**

**535.050**

The Board has granted to the Department of Finance a blanket extension of one month for all sState agencies, to provide for cases where delay is unavoidable. Interest will not be assessed if the sState agency files its sales tax or use tax claim with the State Controller on or before the due date of the tax return.

#### **EXTENSION OF TIME GRANTED TO CERTAIN POLITICAL SUBDIVISIONS**

**535.060**

Because of unavoidable delays in obtaining signatures in approval of claims and issuance of warrants by various boards and public officers, a general one-month extension, pursuant to RTC Section 6459 of the ~~Sales and Use Tax Law~~, is granted to all municipalities, school districts and other political subdivisions of this sState, similar to that granted to departments of the sState government.

**PROCESSING OF RETURNS IN DISTRICT OFFICES****540.000****CURRENT RETURNS****540.010**

Under the provisions of RTC section 6452, a taxpayer may file a return with any office of the Board of Equalization. For administrative efficiency, ~~the~~ filing of current returns (other than final returns) in the ~~field~~ district, branch or area offices (district offices) should be kept to a minimum. Taxpayers should be encouraged to send returns directly to Sacramento in the envelope furnished with the return.

**RETURNS MAILED PAYMENTS RECEIVED TO IN FIELD DISTRICT OFFICES****540.020**

Any payment ~~received with a return made by check, money order, cashier's check or certified check~~ will be verified against the amount due on the return. ~~The check or money order will be restrictively endorsed and attached to the return and will be set aside for daily mailing to the Headquarters Cashier Unit with accounts receivable payments and similar office generated documents.~~ All remittances (i.e. cash, checks, money orders) received in the district offices either in person or by mail will be processed online by the cashier and deposited in the bank locally. ~~with the exception of salary advance repayments and jury duty pay.~~ **Opened and unprocessed** mail remittances held in the office overnight, or checks received in the field must be manually endorsed "For Deposit Only, Board of Equalization" within the top half-inch of the endorsement area.

**RETURNS DELIVERED IN PERSON TO FIELD OFFICE****540.030**

~~Checks will be restrictively endorsed with the district office's bank stamp and attached to the return and mailed to the Headquarters Cashier Unit with other payments.~~

**DATING RETURNS RECEIVED IN FIELD DISTRICT OFFICES****540.040**

Any return received over the counter or in the field must show the date of receipt in the space marked "RE", ~~(see example below left):~~ "RE" on the return.

|                     |                         |                                                                                                                                                                          |                   |                         |
|---------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------|
| PM                  | 21. NET TAX             |                                                                                                                                                                          | REC NO            | 15. ADJUSTMENTS...      |
| 03-01-96            | 22. Less PREPAYMENTS... | Post mark dates must be shown in the space marked "PM", see example shown at right. A return mailed to the office must show the information outlined in Section 540.070. | 03-01-96 03-03-96 | 16. TRANSACTIONS...     |
|                     | 23. REMAINING TAX...    |                                                                                                                                                                          |                   | 17. LOCAL TAX...        |
|                     | 24. PENALTY...          |                                                                                                                                                                          |                   | 18. DISTRICT TAX...     |
|                     | — make payment...       |                                                                                                                                                                          |                   | 19. TOTAL STATE,...     |
|                     | 25. INTEREST:...        |                                                                                                                                                                          |                   | — (a)...                |
|                     | — tax for each...       |                                                                                                                                                                          |                   | — (b)...                |
|                     | — payment is delayed... |                                                                                                                                                                          |                   | — (c)...                |
| RE                  | 26. TOTAL AMOUNT....    |                                                                                                                                                                          | PM                | 21. NET TAX...          |
| I hereby certify... |                         |                                                                                                                                                                          |                   | 22. LESS prepayments... |
| by me and to...     |                         |                                                                                                                                                                          |                   | 23. REMAINING TAX...    |
|                     |                         |                                                                                                                                                                          |                   | 24. PENALTY...          |
|                     |                         |                                                                                                                                                                          |                   | 25. INTEREST...         |

**LOCATION OF RECEIPT NUMBER ON RETURN****540.050**

When it is necessary to issue a receipt, the receipt number must be shown along the left edge of the return, in the "REC. NO." space, or office cash register ~~impression, (see example below)-impression must be imprinted on the return.~~

REC  
NO  
129457

- 11. TOTAL NONTAXABLE...
- 12. TRANSACTIONS...
- 13. STATE TAX 6%...
- 14. (a) TRANSACTIONS...
- (b) COUNTY TAX 1/4%...
- 15. ADJUSTMENTS...
- 16. TRANSACTIONS...
- 17. LOCAL TAX 1%...

**EFFECTIVE DATE OF PAYMENT ON RETURNS****540.060**

The present cash receipts system can identify late sales and use tax return payments, calculate correct penalty and interest due, and compare the calculated amounts to any delinquency charges paid. ~~Differences can then be flagged for review by the~~ The Return Analysis Section can then flag differences for review. This timesaving computer process is possible only if effective dates of payment are keyed into the cash receipts system during the initial entry process in hHeadquarters.

—Returns with only timely payments, whether full or partial, do not require an effective date.

—Prepayments of sales tax on motor vehicle fuel forms do not need an effective date of payment.

All sales and use tax returns provided by the Board have a preprinted box reserved for the effective date.

When late sales and use tax returns are received in hHeadquarters or ~~field~~district offices, Cashier Unit staff or ~~field~~district office staff will determine the effective date of each late return payment and enter that date in the preprinted box on the form.

—On computer addressed sales and use tax returns, ~~BT 401-A, BT 401-C, BT 401-GS and BT 401-E, BT 401-EX,~~ BOE-401-A, BOE-401-DB, BOE-401-GS, BOE-401-E, and BOE-401-EZ, use the empty box at the bottom of the "Board Use Only" routing section for the effective date. ~~The box~~ The routing section is located in the upper right corner of each form.

—~~On utility sales and use tax returns and forms, BT 401-AC2 and BT 401-E2, use the empty box at the bottom of the "Board Use Only" routing section for the effective date. The box is located in the upper right corner of each form.~~

—On ~~BT 1150 and BT 1150-D,~~ BOE-1150 and BOE-1150-B, Sales and Use Tax Prepayment Forms, use the empty box at the bottom of the "Board Use Only" routing section for the effective date. The box is located in the upper right corner of each form.

If a return or form does not have a box, the effective date should be written or stamped in red ink and circled in the upper right corner of the form at least one inch below the top of the form.

—Returns with both timely and late payments (i.e., a delinquent final return with timely security and a late payment collected from the taxpayer) should show the effective date of the late payment with the date of close-out noted at the bottom of the return.

—If security is applied and transmitted with a return ~~which~~ that is delinquent on the date of close-out, the effective date of payment (date of close-out) should be entered.

—For handwritten effective dates, a number should be used for the month ~~(9-13-96), (9-11-01).~~ For date-stamped effective dates, the month may be in alpha characters ~~(SEPT 13 1996), (SEPT. 11, 2001).~~

**ENVELOPE CONTAINING RETURN - DISPOSITION OF****540.070**

If the return is delinquent, the envelope will not be attached to the return. Instead, the postmark date or the postal meter impression date will be handwritten on the return and the envelope discarded.

In those cases where a postmark date and a postal meter impression date are on the envelope, both dates will be handwritten on the return and the envelope discarded.

In the event the postmark date and/or the postal meter impression is difficult or impossible to read, either the best guess of the date with a circle drawn around it, or the word "illegible" will be written on the return.

In addition, the mail opener's initials will always be placed on the return with the date or "illegible" entry. This is necessary for the sole purpose of possible later verification that the dates were written on the return at the time the mail was opened and not at some later time.

**Care must be taken to write the information legibly and in the proper place on the return.**

**OVERPAID RETURNS****540.080**

A return which has definitely been found to be overpaid will be identified with the total amount of remittance, a check mark and the letters "OP" entered just below the space provided for "Total Amount Due and Payable" ~~(see example below)~~.

|                                                                                                                                                                                                    |                                                                                                                                                                                                   |                                              |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|
| BT-401-A (S1F)<br>REV. 68 (10-95)                                                                                                                                                                  |                                                                                                                                                                                                   | STATE OF CALIFORNIA<br>BOARD OF EQUALIZATION |                     |
| RE                                                                                                                                                                                                 | 24. PENALTY of 10% (.10) is due if payment is made after date shown above. Persons required to make payment by Electronic Funds Transfer may owe additional penalties. (see line 24 instructions) | PENALTY 24.                                  |                     |
|                                                                                                                                                                                                    | 25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is                          | INTEREST 25.                                 |                     |
|                                                                                                                                                                                                    | 26. TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25)                                                                                                                                          | 26.                                          | \$ <del>64.11</del> |
| I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return. |                                                                                                                                                                                                   |                                              | <b>94.11 O.P.</b>   |

**NO REMITTANCE RETURN****540.090**

Any "no remittance" return will be identified with the letters "NR" printed just below the space provided for "Total Amount Due and Payable" ~~(see example below)~~.

|                                                                                                                                                                                                    |                                                                                                                                                                                                   |                                              |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|
| BT-401-A (S1F)<br>REV. 68 (10-95)                                                                                                                                                                  |                                                                                                                                                                                                   | STATE OF CALIFORNIA<br>BOARD OF EQUALIZATION |                     |
| RE                                                                                                                                                                                                 | 24. PENALTY of 10% (.10) is due if payment is made after date shown above. Persons required to make payment by Electronic Funds Transfer may owe additional penalties. (see line 24 instructions) | PENALTY 24.                                  |                     |
|                                                                                                                                                                                                    | 25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is                          | INTEREST 25.                                 |                     |
|                                                                                                                                                                                                    | 26. TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25)                                                                                                                                          | 26.                                          | \$ <del>64.11</del> |
| I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return. |                                                                                                                                                                                                   |                                              | <b>NR</b>           |



## PARTIAL REMITTANCE RETURN

540.100

A ~~return only~~ partially paid return will be identified with the amount of remittance, a check mark and the letters "PR" entered just below the space provided for "Total Amount Due and Payable" ~~(see example below).~~

|                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                              |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|
| BT-401-A (S1F)<br>REV-68 (10-95)                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                           | STATE OF CALIFORNIA<br>BOARD OF EQUALIZATION |                     |
| RE                                                                                                                                                                                                 | 24. PENALTY of 10% (.10) is due if payment is made after date shown above. Persons required to make payment by Electronic Funds Transfer may owe additional penalties. (see line 24 instructions)<br>25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is<br>26. TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25) | PENALTY 24.<br><br>INTEREST 25.<br><br>26.   | \$ <del>64.11</del> |
| I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return. |                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>44.11 ✓ PR</b>                            |                     |

## FINAL RETURN

540.110

Any final return processed through a ~~field~~ district office will be clearly marked "FINAL"; preferably with a rubber stamp ~~in the position shown in the following example:~~ entered just below the space provided for "Total Amount Due and Payable."

|                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                              |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|
| BT-401-A (S1F)<br>REV-68 (10-95)                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                           | STATE OF CALIFORNIA<br>BOARD OF EQUALIZATION |                     |
| RE                                                                                                                                                                                                 | 24. PENALTY of 10% (.10) is due if payment is made after date shown above. Persons required to make payment by Electronic Funds Transfer may owe additional penalties. (see line 24 instructions)<br>25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is<br>26. TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25) | PENALTY 24.<br><br>INTEREST 25.<br><br>26.   | \$ <del>64.11</del> |
| I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return. |                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>FINAL C/O TRANSMITTED</b>                 |                     |

## FINAL RETURN - PAID IN FULL FROM SECURITY

540.120

Whenever possible, a return paid in full from security will be sent to ~~h~~Headquarters as a fully paid return. The return is the transmittal document of the security payment. When security is to be applied to the closing return or returns, they will be clearly marked, preferably with a rubber stamp **"SECURITY TO BE APPLIED - DATE OF CLOSEOUT."** The closeout date should be ~~as illustrated in the example below in the position shown~~ included. This is entered just below the space provided for "Total Amount Due and Payable" to indicate that the security has been applied ~~and the date of close out.~~

|                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                              |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|
| BT-401-A (S1F)<br>REV-68 (10-95)                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                           | STATE OF CALIFORNIA<br>BOARD OF EQUALIZATION |                     |
| RE                                                                                                                                                                                                 | 24. PENALTY of 10% (.10) is due if payment is made after date shown above. Persons required to make payment by Electronic Funds Transfer may owe additional penalties. (see line 24 instructions)<br>25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is<br>26. TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25) | PENALTY 24.<br><br>INTEREST 25.<br><br>26.   | \$ <del>64.11</del> |
| I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return. |                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                              |                     |

FINAL C/O TRANSMITTED

SECURITY TO BE  
APPLIED - DATE  
OF

**FINAL RETURN - PARTIALLY PAID FROM SECURITY****540.130**

Any return paid partially from security with the balance collected from the taxpayer will, if possible, be used to transmit both payments. If the security cannot be processed immediately, the return is to be clearly marked ~~in the position of example below~~, preferably with a rubber stamp "**SECURITY TO BE APPLIED - DATE OF CLOSEOUT.**". The closeout date should be included. ~~CLOSE-OUT~~,"

~~the~~This is entered just below the space provided for "Total Amount Due and Payable" to indicate that the security has been applied. The return will be used to transmit only the partial payment from the taxpayer.

When the security is ultimately applied, the security payment will be ~~transmitted on an AR-7 printout, Form BT 424, Advice of Payment, or by a copy of the billing processed by the district cashier.~~ The transmittal document will contain the same rubber stamp as used on the return.

|                                                                                                                                                                                                    |                                                                                                                                                                                                   |                                              |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|
| BT-401-A (S1F)<br>REV. 68 (10-95)                                                                                                                                                                  |                                                                                                                                                                                                   | STATE OF CALIFORNIA<br>BOARD OF EQUALIZATION |                     |
| RE                                                                                                                                                                                                 | 24. PENALTY of 10% (.10) is due if payment is made after date shown above. Persons required to make payment by Electronic Funds Transfer may owe additional penalties. (see line 24 instructions) | PENALTY 24.                                  |                     |
|                                                                                                                                                                                                    | 25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is                          | INTEREST 25.                                 |                     |
|                                                                                                                                                                                                    | 26. TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25)                                                                                                                                          | 26.                                          | \$ <del>64.11</del> |
| I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return. |                                                                                                                                                                                                   |                                              |                     |

If a return is partially paid from security and the balance is not collected, the return transmittal document of the partial payment identified as "~~Paid From Security~~". **SECURITY**". This is entered just below the space provided for "Total Amount Due and Payable" to indicate that the security has been applied. A check mark and ~~the~~ letters "PR" will also be shown just below the space provided for "Total Amount Due and Payable" on any partial payment.

|                   |
|-------------------|
| PAY FROM SECURITY |
| Deduct: \$ _____  |
| C.O. Date _____   |

|                                                                                                                                                                                                    |                                                                                                                                                                                                   |                                              |                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|
| BT-401-A (S1F)<br>REV. 68 (10-95)                                                                                                                                                                  |                                                                                                                                                                                                   | STATE OF CALIFORNIA<br>BOARD OF EQUALIZATION |                     |
| RE                                                                                                                                                                                                 | 24. PENALTY of 10% (.10) is due if payment is made after date shown above. Persons required to make payment by Electronic Funds Transfer may owe additional penalties. (see line 24 instructions) | PENALTY 24.                                  |                     |
|                                                                                                                                                                                                    | 25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is                          | INTEREST 25.                                 |                     |
|                                                                                                                                                                                                    | 26. TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25)                                                                                                                                          | 26.                                          | \$ <del>64.11</del> |
| I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return. |                                                                                                                                                                                                   |                                              |                     |

**44.11 ✓ PR****PAID FROM SECURITY****FINAL RETURN - APPLICATION OF SECURITY OTHER THAN CASH DEPOSIT OR SURETY BOND****540.140**

If security, other than cash or surety bond, is available and the taxpayer wishes to apply the proceeds from his/her security to the final return, the return may be held at the district office for a few days. When the check is received, it will be applied and the return will be sent to Headquarters as a fully paid return (see Section 540.120). If the conversion of the security will be delayed over five days, the "NR" return will be sent to Headquarters stamped:

|                                                                 |
|-----------------------------------------------------------------|
| <b>SECURITY TO BE<br/>APPLIED - DATE OF<br/>CLOSE-OUT _____</b> |
|-----------------------------------------------------------------|

~~When the district receives the proceeds from the security, the payment will be forwarded to Headquarters on a copy of the billing, an AR-7 printout or by Form BT 424, Advice of Payment.~~

## FINAL RETURN - SECURITY AVAILABLE - CLOSE-OUT AUDIT PENDING

540.150

If security is available, but cannot be applied to a final return because of a close-out audit and the final return is less than the amount of the security, the return will be sent as a "NR" return to Headquarters clearly ~~marked~~.

|                                                                        |
|------------------------------------------------------------------------|
| <p><b>SECURITY TO BE<br/>APPLIED - DATE OF<br/>CLOSE-OUT _____</b></p> |
|------------------------------------------------------------------------|

marked as **"SECURITY TO BE APPLIED - DATE OF CLOSEOUT."**. The closeout date should be included.

When the security is ultimately applied, the payment will be transmitted on a copy of the appropriate transmittal document ~~billing, an AR 7 printout or by Form BT 424.~~

## CORRESPONDENCE ACCEPTED AS RETURN

540.160

—When the return form portion of Form ~~BT 431 S1, Notice to Appear - Revocation Proceeding BOE-431-C2, Notice of Delinquency, or Form BT 431 S2, BOE-431-S2,~~ Final Notice (the second page of each form), is received from the taxpayer and the "Return" portion is sufficiently complete, it will be accepted as a return.

Current instructions should be followed concerning the notations to be made on "PR" and "NR" returns.

—When correspondence for other than Consumer Use Tax Section or prepayment accounts, ~~such as a letter or a postcard is received containing~~ contains information that can be accepted as a return for an identified period, ~~the tax information will be stapled behind an AR or RG video printout and the correspondence will be processed by the district and forwarded to the Headquarters Cashier Unit. See Section 505.090 for what constitutes a return. The applicable stamp impression will be placed in the lower right corner of the face of the correspondence. Whenever video printouts are not available the tax information will be transcribed to a completed utility return (taxpayer's name, account number, period, etc.), and the correspondence will be stapled behind the return and forwarded to Headquarters Cashier Unit.~~

—~~Prepayment and~~ Correspondence regarding prepayments or the Consumer Use Tax Section ~~correspondence~~ will be processed as ~~returns~~ a return by the ~~h~~Headquarters Cashiers Unit ~~through the use of rubber stamps~~. The applicable stamp impression will be placed in the lower right corner of the face of the correspondence. The correspondence will then be batched and processed the same as utility documents.

| ACCEPTED as RETURN |
|--------------------|
| Amt. Pd.           |

| ACCEPTED as PREPAYMENT |
|------------------------|
| PERIOD                 |
| Amt. Pd.               |

## COLORED PENCIL ENTRIES ON RETURNS

540.170

Colored pencils will not be used by the ~~field~~district to make entries on returns. Their use is reserved exclusively for ~~h~~Headquarters' units. Some examples of this use are: ~~h~~Headquarters Cashier – Red; Account Analysis Section - Green; Return Analysis Section - Purple.

Lead pencil and any manner of colored pen, whether ballpoint or fiber tipped, may be used by the ~~field~~district.

Entries made by the ~~field~~district offices should be restricted to those required for processing.

**SPACE RESERVATIONS ON RETURNS****540.180**

In the Headquarters return processing function, various areas of the returns are reserved for posting perforations and stamps. ~~The examples (following pages) of sales tax, and use tax returns illustrate~~ location of spaces reserved for Headquarters' use are in the shaded areas of the return forms. No entries should be made by the ~~field~~ district in these areas unless otherwise instructed (see section 540.060). The ~~field~~ district may place its entries in any areas on the return not reserved for Headquarters' use. Since the return forms are revised frequently due to changes in the law or in taxing jurisdictions, the Board's Internet or Intranet websites should be checked for examples of the most current revisions of the return forms.

BT 401-A (S1F)  
REV. 68 (10-95)STATE OF CALIFORNIA  
BOARD OF EQUALIZATION

## STATE, LOCAL &amp; DISTRICT SALES &amp; USE TAX RETURN

DUE ON OR BEFORE

FOR

Mail To:

\$

SHADED AREAS ARE  
RESERVED FOR  
HEADQUARTER'S USE ONLYBOARD OF EQUALIZATION  
P.O. BOX  
SACRAMENTO CA

## BOARD USE ONLY

RR-B/A

RR-QS

LOC

REG

ACC

REF

If the above information is incorrect or your business has closed, please phone us at:

READ INSTRUCTIONS  
BEFORE PREPARING

|        |                                                                                                                                                                      |                   |                   |                         |                                                          |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------------|----------------------------------------------------------|
| 1.     | TOTAL (GROSS) SALES                                                                                                                                                  | 11.               | \$                |                         | PLEASE ROUND<br>CENTS TO THE<br>NEAREST WHOLE<br>DOLLAR. |
| 2.     | PURCHASES SUBJECT TO TAX                                                                                                                                             | 2.                |                   |                         |                                                          |
| 3.     | TOTAL (add lines 1 and 2)                                                                                                                                            | 3.                |                   |                         |                                                          |
| 4.     | SALES TO OTHER RETAILERS FOR PURPOSES OF RESALE                                                                                                                      | 50                |                   |                         |                                                          |
| 5.     | NONTAXABLE SALES OF FOOD PRODUCTS                                                                                                                                    | 51                |                   |                         |                                                          |
| 6.     | NONTAXABLE LABOR (repair and installation)                                                                                                                           | 52                |                   |                         |                                                          |
| 7.     | SALES TO THE UNITED STATES GOVERNMENT                                                                                                                                | 53                |                   |                         |                                                          |
| 8.     | SALES IN INTERSTATE AND FOREIGN COMMERCE                                                                                                                             | 54                |                   |                         |                                                          |
| 9.     | SALES TAX (IF ANY) INCLUDED ON LINE 1                                                                                                                                | 55                |                   |                         |                                                          |
| 10.    | (a) BAD DEBT LOSSES ON TAXABLE SALES                                                                                                                                 | 56                |                   |                         |                                                          |
|        | (b) COST OF TAX PAID PURCHASES PRIOR TO USE                                                                                                                          | 57                |                   |                         |                                                          |
|        | (c) RETURNED TAXABLE MERCHANDISE                                                                                                                                     | 58                |                   |                         |                                                          |
|        | (d) CASH DISCOUNTS ON TAXABLE SALES                                                                                                                                  | 59                |                   |                         |                                                          |
|        | (e) SECTION 6377 MANUFACTURES 5% STATE TAX EXEMPTION                                                                                                                 |                   |                   |                         |                                                          |
|        | Amt. subject to 5% exemption                                                                                                                                         | 60                | \$                | .00 (multiply by .8333) | 61                                                       |
|        | (f) OTHER (clearly explain)                                                                                                                                          | 90                |                   |                         |                                                          |
| 11.    | TOTAL NONTAXABLE TRANSACTIONS REPORTED ON LINES 4 THRU 10 (f)                                                                                                        | 11.               |                   |                         |                                                          |
| 12.    | TRANSACTIONS SUBJECT TO STATE TAX (subtract line 11 from line 3)                                                                                                     | 12.               |                   |                         |                                                          |
| 13.    | STATE TAX 6% (multiply line 12 by .06)                                                                                                                               | 13.               |                   |                         |                                                          |
| 14.    | (a) TRANSACTIONS SUBJECT TO COUNTY TAX (add amount in box 61 above to line 12) enter total                                                                           |                   |                   |                         |                                                          |
| 14(b). | (b) COUNTY TAX 1/4% (MULTIPLY LINE 14(A) BY .0025)                                                                                                                   | 14(b).            |                   |                         |                                                          |
| 15.    | ADJUSTMENTS FOR LOCAL TAX (see line 15 instructions)                                                                                                                 | 15.               |                   |                         |                                                          |
| 16.    | TRANSACTIONS SUBJECT TO LOCAL TAX (add or subtract line 15 from                                                                                                      | 16.               |                   |                         |                                                          |
| 17.    | LOCAL TAX 1% (multiply line 16 by .01)                                                                                                                               | 17.               |                   |                         |                                                          |
| 18.    | DISTRICT TAX (from Schedule A, line A11) YOU MUST COMPLETE SCHEDULE A ON REVERSE                                                                                     | 18.               |                   |                         |                                                          |
| 19.    | TOTAL STATE, COUNTY, LOCAL AND DISTRICT TAX (add lines 13, 14(b), 17 & 18)                                                                                           | 19.               |                   |                         |                                                          |
| 20.    | (a) DEDUCT sales or use tax imposed by other states. Purchase price must be included in line 2.                                                                      |                   |                   |                         |                                                          |
|        | (b) San Diego County Tax Credit (eff. 4-1-94)                                                                                                                        | \$                |                   | .00 (multiply by .0075) | 20(b).                                                   |
|        | (c) Monterey County Tax Credit (eff. 10-1-94)                                                                                                                        | \$                |                   | .00 (multiply by .0075) | 20(c).                                                   |
| 21.    | NET TAX (subtract lines 20(a), (b) and (c) from lines 19)                                                                                                            |                   |                   |                         |                                                          |
| 22.    | less PREPAYMENTS                                                                                                                                                     | \$ 1st PREPAYMENT | \$ 2nd PREPAYMENT | TOTAL PREPAY            | 22.                                                      |
| 23.    | REMAINING TAX (subtract line 22 from line 21)                                                                                                                        |                   |                   |                         |                                                          |
| 24.    | PENALTY of 10% (.10) is due if payment is made after date shown above. Persons required to make payment by Electronic Funds Transfer may owe additional penalties.   | PENALTY           | 24.               |                         |                                                          |
| 25.    | INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is | INTEREST          | 25.               |                         |                                                          |
| 26.    | TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25)                                                                                                                 | 26.               | \$                |                         |                                                          |

I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

YOUR SIGNATURE AND TITLE

TELEPHONE NUMBER

DATE

PAID  
PREPARER'S  
USE ONLY

PAID PREPARER'S NAME

PREPARER'S SSN OR FEIN

FIRM'S NAME

BUSINESS ADDRESS

MAKE CHECK OR MONEY ORDER PAYABLE TO THE STATE BOARD OF EQUALIZATION

Always Write Your Account Number on Your Check or Money Order

BT-401-E (S1F) REV. 57 (7-95)

STATE, LOCAL and DISTRICT CONSUMER USE TAX RETURN

STATE OF CALIFORNIA  
BOARD OF EQUALIZATION

February 2001

Mail to: \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

PLEASE ROUND CENTS TO  
THE NEAREST WHOLE DOLLAR

**READ INSTRUCTIONS BEFORE PREPARING**

|        |                                                                                                                                                                                                         |       |  |     |     |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--|-----|-----|
| 1.     | Enter purchase price of tangible property which is subject to CALIFORNIA STATE USE TAX which has not been paid to the retailer .....                                                                    | 1.    |  | .00 | 2   |
| 2.     | Section 6377 Manufacturer's State exemption — 60<br>Enter amount subject to Mfg. 5% exemption.<br>Amount must be included in line 1. \$ _____ (multiply by .8333) .....                                 | 2.    |  | .00 | 61  |
| 3.     | Total amount subject to state use tax (subtract the adjusted amount on line 2 from line 1) .....                                                                                                        | 3.    |  | .00 |     |
| 4.     | State Use Tax 6 (multiply line 3 by .06) .....                                                                                                                                                          | 4.    |  | .00 |     |
| 5.     | Total purchase price of tangible personal property which is subject to County Use Tax which has not been paid to the retailer (enter amount from line 1) .....                                          | 5.    |  | .00 |     |
| 6.     | County Use Tax 1/4% (multiply line 5 by .0025) .....                                                                                                                                                    | 6.    |  | .00 |     |
| 7.     | Enter amount from line 5 .....                                                                                                                                                                          | 7.    |  | .00 |     |
| 8.     | Local Tax Adjustments .....                                                                                                                                                                             | 8.    |  | .00 | 15  |
| 9.     | Total purchase price of tangible personal property which is subject to Local Use Tax which has not been paid to the retailer (add or subtract line 8 to or from line 7) .....                           | 9.    |  | .00 |     |
| 10.    | Local Use Tax 1% (multiply line 9 by .01) .....                                                                                                                                                         | 10.   |  | .00 |     |
| 11.    | District Use Tax (enter from line A 11 on Schedule A) .....                                                                                                                                             | 11.   |  | .00 | 18  |
| 12.    | Total State, County, Local and District Use Tax (add lines 4, 5=6, 10 & 11) .....                                                                                                                       | 12.   |  | .00 | 19  |
| 13.    | (a) Deduct amount of sales and use tax imposed by other states .....                                                                                                                                    | 13.   |  | .00 | 20a |
| REC NO | (b) Enter transactions subject to San Diego Co. Tax Credit here. (Effective 4-1-94) \$ _____ .00 multiply amount by .0075) .....                                                                        | 13(b) |  | .00 | 20b |
|        | (c) Enter transactions subject to Monterey Co. Tax Credit here. (Effective 10-1-94) \$ _____ .00 (multiply amount by .0075) .....                                                                       | 13(c) |  | .00 | 20c |
|        | 14. Net State, County, Local and District Use Tax (subtract lines 13(a), (b) and (c) from line 12) .....                                                                                                | 14.   |  | .00 |     |
| PM     | 15. Less Tax Prepayments 1st PREPAYMENT 2nd PREPAYMENT Prepayment .....                                                                                                                                 | 15.   |  | .00 | 22  |
|        | 16. Remaining Use Tax Due (subtract line 15 from line 14) .....                                                                                                                                         | 16.   |  | .00 |     |
|        | 17. PENALTY of 10% is due if payment is made after due date shown above. Person required to make payment by Electronic Fund Transfer may owe additional penalties .....                                 | 17.   |  | .00 | 24  |
|        | 18. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is .01 (.12% divided by 12) ..... | 18.   |  | .00 | 25  |
| RE     | 19. TOTAL AMOUNT DUE AND PAYABLE (add lines 16, 17 & 18) .....                                                                                                                                          | 19.   |  | .00 | 26  |

I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

|                          |                                         |                        |      |
|--------------------------|-----------------------------------------|------------------------|------|
| YOUR SIGNATURE AND TITLE |                                         | TELEPHONE NUMBER       | DATE |
| PAID PREPARER'S          | PAID PREPARER'S NAME                    | PREPARER'S SSN OR FEIN |      |
| USE ONLY                 | FIRM'S NAME (or yours if self-employed) | BUSINESS ADDRESS       |      |

SPACE RESERVATIONS ON RETURNS

RETURNS

(CONT. 1) 540.180

BOE-401-A (FRONT)  
REV. 80 (7-99)

STATE OF CALIFORNIA  
BOARD OF EQUALIZATION

STATE, LOCAL and DISTRICT SALES and USE TAX RETURN

DUE ON OR BEFORE

[ FOID ]

YOUR ACCOUNT NO.

SHADED AREAS ARE  
RESERVED FOR  
HEADQUARTER'S USE  
ONLY

BOARD USE ONLY

RA-IT LOC REG

PA-BTR AGG REF

EFF

READ INSTRUCTIONS 99-3  
BEFORE PREPARING

|     |                                                                                                                                                                                                             |                                                  |                                          |                                                      |                                                         |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------------------|------------------------------------------------------|---------------------------------------------------------|
| 1.  | TOTAL (GROSS) SALES .....                                                                                                                                                                                   | 1.                                               | \$                                       | .00                                                  | PLEASE ROUND<br>CENTS TO THE<br>NEAREST WHOLE<br>DOLLAR |
| 2.  | PURCHASES SUBJECT TO USE TAX .....                                                                                                                                                                          | 2.                                               |                                          | .00                                                  |                                                         |
| 3.  | TOTAL (add lines 1 and 2) .....                                                                                                                                                                             | 3.                                               |                                          | .00                                                  |                                                         |
| 4.  | SALES TO OTHER RETAILERS FOR PURPOSES OF RESALE .....                                                                                                                                                       | 50                                               | \$                                       | .00                                                  |                                                         |
| 5.  | NONTAXABLE SALES OF FOOD PRODUCTS .....                                                                                                                                                                     | 51                                               |                                          | .00                                                  |                                                         |
| 6.  | NONTAXABLE LABOR (repair and installation) .....                                                                                                                                                            | 52                                               |                                          | .00                                                  |                                                         |
| 7.  | SALES TO THE UNITED STATES GOVERNMENT .....                                                                                                                                                                 | 53                                               |                                          | .00                                                  |                                                         |
| 8.  | SALES IN INTERSTATE OR FOREIGN COMMERCE .....                                                                                                                                                               | 54                                               |                                          | .00                                                  |                                                         |
| 9.  | SALES TAX (IF ANY) INCLUDED ON LINE 1 .....                                                                                                                                                                 | 55                                               |                                          | .00                                                  |                                                         |
| 10. | (a) BAD DEBT LOSSES ON TAXABLE SALES .....                                                                                                                                                                  | 56                                               |                                          | .00                                                  |                                                         |
|     | (b) COST OF TAX-PAID PURCHASES RESOLD PRIOR TO USE .....                                                                                                                                                    | 57                                               |                                          | .00                                                  |                                                         |
|     | (c) RETURNED TAXABLE MERCHANDISE .....                                                                                                                                                                      | 58                                               |                                          | .00                                                  |                                                         |
|     | (d) CASH DISCOUNTS ON TAXABLE SALES .....                                                                                                                                                                   | 59                                               |                                          | .00                                                  |                                                         |
|     | (e) SECTIONS 6377 & 6378 - 5% STATE TAX EXEMPTIONS                                                                                                                                                          |                                                  |                                          |                                                      |                                                         |
|     | 60(a) Amount subject to Manufacturer's Exemption                                                                                                                                                            | 60(b) Amount subject to Teleproduction Exemption | 60(c) Enter total of boxes 60(a) & 60(b) | (Multiply box 60(c) by .8333) Enter result in box 61 |                                                         |
|     | \$                                                                                                                                                                                                          | \$                                               | \$                                       |                                                      |                                                         |
|     | (f) OTHER (clearly explain) .....                                                                                                                                                                           | 90                                               |                                          | .00                                                  |                                                         |
| 11. | TOTAL NONTAXABLE TRANSACTIONS REPORTED ON LINES 4 THRU 10(f) (add lines 4 thru 10(f)) .....                                                                                                                 | 11.                                              |                                          | .00                                                  |                                                         |
| 12. | TRANSACTIONS SUBJECT TO STATE TAX (subtract line 11 from line 3) .....                                                                                                                                      | 12.                                              |                                          | .00                                                  |                                                         |
| 13. | STATE TAX 6% (multiply line 12 by .06) .....                                                                                                                                                                | 13.                                              |                                          | .00                                                  |                                                         |
| 14. | (a) TRANSACTIONS SUBJECT TO COUNTY TAX (add amount in box 61 (above) to line 12)<br>Enter total here .....                                                                                                  | 14(a).                                           |                                          | .00                                                  |                                                         |
|     | (b) COUNTY TAX 1/4% (multiply line 14(a) by .0025) .....                                                                                                                                                    | 14(b).                                           |                                          | .00                                                  |                                                         |
| 15. | ADJUSTMENTS FOR LOCAL TAX (see line 15 instructions) .....                                                                                                                                                  | 15.                                              |                                          | .00                                                  |                                                         |
| 16. | TRANSACTIONS SUBJECT TO LOCAL TAX (add or subtract line 15 to or from line 14(a)) .....                                                                                                                     | 16.                                              |                                          | .00                                                  |                                                         |
| 17. | LOCAL TAX 1% (multiply line 16 by .01) .....                                                                                                                                                                | 17.                                              |                                          | .00                                                  |                                                         |
| 18. | DISTRICT TAX (from Schedule A, line A11) YOU MUST COMPLETE SCHEDULE A ON REVERSE IF<br>YOU ARE ENGAGED IN BUSINESS IN A TRANSACTIONS TAX DISTRICT .....                                                     | 18.                                              |                                          | .00                                                  |                                                         |
| 19. | TOTAL STATE, COUNTY, LOCAL AND DISTRICT TAX (add < lines 13, 14(b), 17 & 18) .....                                                                                                                          | 19.                                              |                                          | .00                                                  |                                                         |
| 20. | DEDUCT sales or use tax imposed by other states and paid on the purchase price<br>of tangible personal property. Purchase price must be included in line 2 .....                                            | 20.                                              |                                          | .00                                                  |                                                         |
| 21. | NET TAX (subtract line 20 from line 19) .....                                                                                                                                                               | 21.                                              |                                          | .00                                                  |                                                         |
| 22. | Less PREPAYMENTS                                                                                                                                                                                            |                                                  |                                          |                                                      |                                                         |
|     | \$ 1ST PREPAYMENT                                                                                                                                                                                           | \$ 2ND PREPAYMENT                                | Total Prepayment                         | 22.                                                  | \$ .00                                                  |
| 23. | REMAINING TAX (subtract line 22 from line 21) .....                                                                                                                                                         | 23.                                              |                                          | .00                                                  |                                                         |
| 24. | PENALTY of 10% (.10) is due if your tax payment is made, or your return is filed, after the<br>due date shown above (see line 24 instructions)                                                              | PENALTY 24.                                      |                                          | .00                                                  |                                                         |
| 25. | INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is<br>delayed after the due date. The adjusted monthly interest rate is .833% (.00833) (10% divided by 12). | INTEREST 25.                                     |                                          | .00                                                  |                                                         |
| 26. | TOTAL AMOUNT DUE AND PAYABLE (add lines 23, 24 & 25) .....                                                                                                                                                  | 26.                                              | \$                                       | .00                                                  |                                                         |

I hereby certify that this return, including any accompanying schedules and statements, has been examined by  
me and to the best of my knowledge and belief is a true, correct and complete return.

|                                |                                         |                        |      |
|--------------------------------|-----------------------------------------|------------------------|------|
| YOUR SIGNATURE AND TITLE       |                                         | TELEPHONE NUMBER       | DATE |
| PAID<br>PREPARER'S<br>USE ONLY | PAID PREPARER'S NAME                    | PREPARER'S SSN OR FEIN |      |
|                                | FIRM'S NAME (or yours if self-employed) | BUSINESS ADDRESS       |      |

Make a copy for your records.

**FORM BT-1043, TAX RETURN ADJUSTMENT VOUCHER 540.190**

Form BT-1043 should be used to increase or decrease a tax return that has previously been filed. It ~~cannot~~ be prepared in lieu of the original return. The form is used subject to the following requirements:

- a. ~~The form should be signed by taxpayer or his/her agent. If the information is received by letter, the signature may be omitted; however, the letter must be attached.~~
- b. ~~The form may be used without securing the taxpayer's signature when it is paid in full by a check, money order, etc., that clearly identifies the payment and period.~~
- c. ~~The form may not be used if there is penalty involved.~~
- d. ~~The payment must satisfy the liability in full and cannot be used as a partial payment remittance form.~~
- e. ~~If the liability is paid by security, the payment must accompany the form and a notation placed thereon indicating payment from security. If the payment is partially cash and the remainder from security, each payment may be transmitted to Headquarters on a separate form.~~
- f. ~~Multiply adjustments may be made providing they are of the same type, either upward or downward. Where both debit and credit adjustments are to be made to an account, a Field Billing Order, Form BT-414-B, must be used.~~
- g. ~~More than one period may be included providing no penalty is involved.~~
- h. ~~The form will not be used for prepayments.~~
- i. ~~In the case of a refund, Form BT-1043 must be signed by the taxpayer or his/her agent and also by the preparer. It is then sent to Headquarters Refunds Section with a brief explanation containing sufficient detail to adequately describe the reporting error.~~

~~In completing Part D "Underpayment of Tax" of the form, it should be noted that the numbered lines shown in the box "For Data Center Use Only" corresponds to the numbered lines on the sales and use tax return, therefore, entries should be filled in exactly as they would be entered on the lines of the tax return.~~

**BT-1043-D ON-LINE PROCEDURE 540.195**

~~See your supervisor for current detailed instructions and authorization procedures. New procedures are currently under development and will be incorporated in this section when completed.~~

~~On line BT-1043-D policy and step by step procedure follow the same format at the paper procedure. Detailed instructions are only available through On the Job training in the district office. There is no procedure manual for the On line BT-1043-D's. Instructions in section 540.200 below refer to the paper procedure. The same steps referred to for the paper procedure are displayed on screen and executed on line for the BT-1043-D on line procedure.~~

**FORM BT-1043-D, DETERMINATION 540.200****Use of Form BT-1043-D**

Form BT-1043-D, Notice of Determination Request, is for use by field compliance staff to order a Notice of Determination for:

- 1. ~~Tax, interest and penalty due for delinquent periods when a revoked or closed-out account has failed to file returns;~~
- 2. ~~Tax and interest due on sales of fixtures and equipment not reported on a taxpayer's final return;~~
- 3. ~~The penalty, not to exceed \$500, for each failure to comply with Section 6074 which requires persons making sales to operators of catering trucks to report certain information to the Board; and~~
- 4. ~~The penalty, not to exceed \$1,000, for failure to comply with Section 6073 which requires persons operating swap meets, flea markets or special events to report certain information to the Board.~~



~~All other compliance requests for determinations must be ordered using Form BT 414 B, Field Billing Order. The procedures for preparation and processing of the BT 414 B have not changed. The procedures for preparing and processing Form BT 1043, Tax Return Adjustment Voucher, have not changed.~~

~~Instructions for completing the paper BT 1043 D are printed on the back of the form. Care should be taken to ensure the form is properly completed. Incomplete forms will be returned to the originating district for correction. Form BT 1043 D may be prepared in pencil for ease of correction by the district and headquarters staff. The paper procedure is only used for consolidated accounts. On line BT 1043 D policy and step by step procedure follow the same format at the paper procedure. Detailed instructions are only available through On the Job training in the district office. There is no procedure manual for the On line BT 1043 D's. Instructions in this section refer to the paper procedure. The same steps referred to for the paper procedure are displayed on screen and executed on line for the BT 1043 D on line procedure.~~

### **Accounts in Legal Status**

~~If an account is in legal status because of bankruptcy, etc., the "Legal Status?" box at the top of the form should be marked. This will alert Headquarters and the form will be given special attention in Headquarters. The "bankruptcy bar date" should be noted in the "Comments" section of the form.~~

### **Method of Tax Computation**

~~The "Method of Tax Computation" section on the back of the form is provided as an aid in estimating the average measure of tax due for delinquent periods. Other available information may require adjustments to the estimated measure. Comments regarding such adjustments may be made next to the schedule. The method of tax computation is important, not only to the reviewing supervisor, but also to the Headquarters' Petition Section should the taxpayer file a petition for redetermination.~~

### **Period of Determination**

~~Total tax, penalty and interest for all periods included in the determination should be entered on the front of the form and billed as one inclusive period.~~

~~When billing penalties under Section 6073 and Section 6074 of the Sales and Use Tax Law, the reporting period should be the month in which the violation occurred.~~

### **Delinquent Periods**

~~Delinquent periods including partial periods, which are to be cleared with the determination, must be identified in the "Delinquent periods..." section of the BT 1043 D. A separate Form BT 523 is not necessary. Periods not identified will not be cleared.~~

~~If a delinquency remains after a BT 1043 D determination billing, which included the period, has been issued, a BT 523 should be prepared and forwarded to the Account Analysis Section.~~

### **Penalty and Interest**

~~Interest due should be computed and included on the form. The date interest is computed to must be entered at the top of the "Interest To:" column. Interest should only be computed through the end of the month in which the BT 1043 D is prepared. The AUINT program on Business Taxes Consolidated Information System (BTCIS) is available for interest computations. The interest calculation date at the bottom of the form will be added in Headquarters.~~

### **Jurisdictions and Dollar Amount by Jurisdiction**

~~The three digit district code number, not the acronym, for any district sales and use tax due must be entered in the JURISDICTION column.~~

~~The dollar amount (formerly factors) of the total liability, including tax, interest and penalty, for all jurisdictions, including state, local, county, and districts, must be entered in the DOLLAR AMOUNT BY JURISDICTION column. For BT 1043 D billings, the accounts receivable allocation program uses~~

dollar amounts. Form BT 1043 D (12-91 REV. 3) must be used. Dollar figures may be computed using AUINT and obtained from page 2 of the AUINT Sales Tax Allocation Summary.

### **Consolidated Accounts**

When a multiple outlet (consolidated) account is being billed and the billing involves more than one outlet, the suspense code 99999 should be entered in the county/city portion of the tax area code and a completed Form BT 530, Schedule C attached. The Schedule C should list each of the taxpayer's locations by outlet number and tax area code and amount of 1% local tax by location. In this case, the "Sch." box at the bottom of the form must be checked. These 1043 D's cannot be done on line.

When the determination request relates to only one outlet of a consolidated account, the tax area code of the single outlet should be entered. In this case, a Schedule C would not be required.

### **Security, Payments and Credits**

Any credits to be applied to the liability, such as pending security, accounts receivable payments or prepayments, must be entered in the credits section with the effective date(s) and allocated to tax, interest and penalty, in that order. The total of each credit must be entered in the "Total" column. Adjustment must be made to the interest and penalty if there is a credit given for prepayments. The AR system will not adjust interest and penalty for a timely prepayment.

Partial payments received, which are to be applied to the determination, can be entered as a credit next to "P" on the Form BT 1043 D. The actual payment(s) must be transmitted separately using AR 7 or a Form BT 424, Advice of Payment. The BT 1043 D can not be used as a money transmittal document.

### **Review and Routing**

The compliance or branch office supervisor is responsible for reviewing and approving all Forms BT 1043 D. Reviewing supervisors should require pertinent comments regarding the determination be entered in the appropriate sections of the form prior to approval. This will supply Headquarters offices responsible for processing the document with information to clear delinquencies and add bill notes (messages) which will be printed on the Notice of Determination.

After approval by a compliance or branch office supervisor, the completed form should be sent to the Account Analysis Section. Forms may be sent individually. A transmittal sheet is not required.

### **Controls**

To ensure all Forms BT 1043 D are processed, the district principal compliance supervisor will establish a control file. The control should consist of a binder/folder in which an extra copy of each BT 1043 D will be kept until the accounts receivable system reflects the determination, the Form BT 1212 is received from Headquarters, or the billing is listed on the monthly accounts receivable report of BT 1043 D billings.

The binder/folder should be checked monthly to verify that all Forms BT 1043 D sent to Headquarters have been billed. Determination requests outstanding more than 30 days from when they were sent to Headquarters should be listed on an interoffice memorandum to the Account Analysis Section. Copies of the Forms BT 1043 D in question should be attached. If the original request for determination cannot be located in Headquarters, the copy will be used for billing the liability.

Telephone inquiries regarding the status of BT 1043 D requests should be made only in extreme cases, such as an impending bar date.

Field office staff should not telephone Headquarters requesting preparation and AR input of Forms BT 1043 D to expedite billings. If the need for a determination billing is so immediate that a BT 1043 D cannot be processed routinely, a Form BT 414 B, Field Billing Order should be prepared and processed through the district's audit review section for telephone transmittal. The BT 414 B review process has established guidelines and controls for telephone requests.

### **Canceling or Adjusting Determinations**

~~Requests to cancel or adjust a determination downward should be made on a Form BT 897, Memorandum for paper BT 1043 D's or processed on line for on line processed 1043 D's, and forwarded to the Petition Section. The form has been revised to accommodate BT 1043 D determination billings, including those for tax on fixtures and equipment where returns are not involved. Returns received that increase the tax liability are sent to the Return Analysis Section for processing.~~

~~Telephone requests to have Headquarters locate Forms BT 1043 D and remove them from processing should not be made. The proper procedure is the BT 897 paper or on line process as appropriate.~~

### **Account Analysis Section**

~~The Delinquency Sub Unit in Account Analysis will clear delinquencies for periods listed in the "Delinquent Periods" section of the form providing the period(s) are within the inclusive period being billed. Other delinquencies will not be cleared.~~

~~After clearing the noted delinquencies, Account Analysis will list the request forms on a Form BT 1043 T, Headquarters BT 1043 D Transmittal, and forward the transmittal and the forms daily to the Centralized Audit Review Section for review and accounts receivable billing.~~

### **Centralized Audit Review Section**

~~The Centralized Audit Review Section will review each form received for completeness for input into the accounts receivable system. Bill notes will be added to the document based on the information contained on the form and the interest calculation date will be entered in the space provided at the bottom of the form. The person reviewing the BT 1043 D will initial in the "Hqs." space at the bottom of the form. This will allow for the proper routing of documents rejected during the accounts receivable input process. Completed Forms BT 1043 D will be batched daily for accounts receivable input. Forms rejected by the system will be returned by Account Analysis to the batching unit for review. Entries easily corrected will be revised and the forms resubmitted. Forms which cannot be easily corrected will be returned to the originating district's principal compliance supervisor for revision and reprocessing through the Account Analysis Section.~~

### **Return Analysis Section**

~~When notified by the Centralized Audit Review Section regarding a prepayment credited to a determination billing, Return Analysis will review their Prepayment Suspense List to clear the prepayment.~~

## **COMPLIANCE ASSESSMENT PROCEDURE**

**540.200**

All permit holders are required to file and pay tax returns. All efforts should be made by staff to obtain the tax return on a voluntary basis. If the tax return is not filed within a reasonable amount of time, the district should consider whether it is appropriate to ~~derive Revenue~~ issue a deficiency determination by use of the Compliance Assessment (CAS) procedure. The CAS procedure is also used to issue a determination on the sale of fixtures and equipment when an account is closed-out.

On the system, the CAS procedure satisfies a ~~This procedure is used by district compliance staff to fill a~~ Financial Obligation (FO) by filling it with Revenue. The FO types used in this procedure are Periodic (PER), which is generally set up when a return is mailed to a registered taxpayer, or One-Time (OTM), which is set up for obligations falling outside a regular reporting period. When a CAS is prepared, ~~IRIS~~the system automatically clears the delinquency for that FO.

A CAS may be prepared for a single period or for multiple periods. The Derive Estimated Revenue screen is used when a return is not filed. The Derive Estimated Revenue - F&E Assessment screen is used when fixtures & equipment are not reported on a filed return and payment in full has been received.

### **Authority**

The authority for preparing a CAS is ~~Revenue and Taxation Code~~RTC Section 6481 - Deficiency Determination. The time in which to prepare a CAS is covered in Section 6487 - Limitations; Deficiency Determinations.

## **Process for Unfiled Returns**

The Compliance Assessment process ~~allows~~ calculates estimated revenue for unfiled returns from one or more periods ~~to be created by averaging prior returns filed for an~~ the account. ~~-(This is the IRIS equivalent of the on line 1043D process.) You~~ The average tax measure used to calculate the estimated revenue can be increased or decreased ~~the average tax measure used to derive the estimated revenue by a~~ specified percentage. This process also allows for an override of the average tax measure amount calculated and input of a specific tax measure on which the estimated revenue will be based. In addition, ~~you~~ staff can input the amount of any sales of fixtures & equipment to be included in the tax measure.

This CAS process is also used to derive schedules for a single period or for multiple periods for a Taxable Activity based on selected periods. The schedules that can be derived are schedules A, B, C, E and F. This process may be used for creating ~~arbitrary~~ local tax allocations and for compliance assessments. Deriving schedules is for ~~HQ~~ headquarters use only.

This CAS function is not available for Consumer Use Tax accounts or SG accounts.

## **Accounts in Legal Status**

When an account is in legal status because of bankruptcy, assignments, receivership, ~~and~~ or probate, ~~IRIS~~ the system will fill the "Legal Status" field on the Difference screens. This will alert ~~HQ~~ headquarters that the account should be given special attention. If the account should be in legal status but it is not displayed, go to the ~~H~~Legal eClaim eCase screen and input the legal information.

If split returns are required, the Periodic FO must first be split and then filled with Revenue i.e., a return, CAS or audit. If a CAS is required for an FO that needs to be split, go to the Split Financial Obligation screen and split the FO before preparing the CAS. See ~~CPPM~~ Ssections 510.230 and 754.055 for information about splitting an FO.

## **Penalty and Interest**

A penalty is not automatically added to a CAS, ~~and~~ but must be manually added by the user when appropriate.

Billing for penalties under RTC Ssection 6073 (swap meet operators), Ssection 6074 (catering trucks), and Ssection 6077 (Florist) will be issued by Centralized Review Section. ~~Before requesting a penalty assessment against a florist, a memo requesting approval to bill the penalty and summarizing the circumstances of the case should be forwarded to the Compliance Planning and Evaluation Section. For~~ penalty assessments against swap meet operators and catering truck operators, districts will provide information required to substantiate the penalty directly to Centralized Review Section.

Interest is automatically calculated by IRIS based on the amount of tax and due dates.

## **Notice**

The billing statement (Notice) will be generated only after the CAS is approved by Centralized Review Section. ~~The district~~ Districts will not be able to create a Notice.

## **Schedules**

~~This is a Headquarters function only.~~

## **Consolidated Accounts**

The CAS process ~~can be completed~~ is also used for consolidated accounts. ~~IRIS~~ The system will generally compute the district tax based on the selected prior returns. Staff must verify the allocation of district tax on all assessments, since ~~in~~ certain situations the district tax may not have been properly allocated or created by the system. ~~Verification of the district tax allocation must be performed on all assessments. Some~~ Situations that would ~~prohibit~~ prevent the system from creating the correct district tax ~~are~~ include:

- ⊕● Single location accounts that reporting sales in more than one district.
- ⊕● Multiple location accounts that operating in more than one district, ~~and~~ but the assessment is not based on prior returns.

- ⊕● Multiple location accounts that operating in more than one district, the assessment is based on prior returns, and but the sub-locations have changed in assessment period.

Allocations of district tax can be reviewed using the system's Maintain/Inquire menu. For information of the steps required to review and allocation refer to xxxxx.

### **Security, Payments and Credits**

AnyWhen security, payments or credits to be applied to the CAS, staff should have a notation entered on enter a note in the justification field or in the Revenue comments field. IncludeInformation that should be entered includes the payment amount, effective date and any other applicable comment. These payments/credits will not necessarily be automatically applied. However, IRISthe system will automatically adjust any penalties and recalculate interest when the payments/credits are applied.

### **Fixtures and Equipment**

Normally, an assessment for Fixtures and equipment canwill be included in a Compliance Assessment CAS when creatingstaff creates a Revenue entry on the Derive Estimated Revenue screen. However, when payment has been received that will fully satisfy the liability for the asset sale, staff should use the Derive Estimated Revenue – F&E Assessment screen to create the CAS. The Derive Estimated Revenue – Fixtures and Equipment screen is used to derive Revenue for a single period based upon a specified Fixture & Equipment (F&E) amount. This process will accept the F & E amount and derive the return by "backing into" the taxable measure using the F & E amount. A One-Time (OTM) Financial Obligation without Revenue must exist. **Do not use a Periodic FO for this process.** Note that this process willis only be-used to create a Revenue entry for fixtures and equipment whenre no penalty is to be assessed and where full payment has been received. This process replaces form BT-1043.

Upon completion of a CAS for F&E, anthe system's aAssignment Control is automatically routed to the CAS to the dDistrict oOffice's Compliance Assessment role in box using Assignment ControlCAS reviewer. Those persons assigned to that role (e.g. supervisors, specialists) are responsible to review and approve the CAS at the district level. The code used to identify the type of review assignment and the procedures for review and required adjustments can be found in xxx.

## **FORM BT-414-B, FIELD BILLING ORDER**

**540.210**

Form BT-414-B, Field Billing Order, will be used in the following instances:

1. When a Notice of Determination is necessary to place account on the accounts receivable system, or when the taxpayer may not be in agreement with the recommended assessment.
2. When the liability is established on an estimated basis.
3. When penalty is recommended.
4. When adjustments are complex.
5. When there are both debit and credit adjustments.
6. When the payment for the entire liability cannot be transmitted on the Form BT-1043.

## **ADJUSTMENTS TO OR CANCELLATION OF A FIELD BILLING ORDER, FORM BT-897540.215**

Form BT-897 is used in lieu of preparing an adjusted BT-1043 D or Field Billing Order (FBO). This form is used to recommend changes in a determination which was issued from a BT-1043 D or an FBO prepared to clear delinquent periods. Whether the determination is adjusted or canceled depends upon the date the tax returns were postmarked or received:

—If a taxpayer files returns before the determination is issued by Headquarters, the returns take precedence and the determination should be canceled.

—However, if the returns are filed after the determination date, such determination may require adjustment to the level of the returns. This distinction is important because in addition to the 10% failure to file penalty, a 10% finality penalty may also apply.

**BT-897 ON-LINE SYSTEM****540.220**

~~This system has been developed to expedite the processing of adjustments to determinations resulting from the use of the on line 1043 D process. The BT 897 on line system should not be used to process BT 897 adjustments on determinations in petition status.~~

~~Development of the on line BT 1043 D system allowed a more timely assessment of estimated taxes due on delinquent accounts. Accordingly, the number of this type of determination has increased. This has generated an increase in the number of returns subsequently received for the period of the determination which has, in turn, resulted in an increased workload in the adjustment process.~~

~~The on line 897 system will:~~

~~—Allow the Return Analysis Section (RAS) to notify field offices through the mainframe computer of the need for an adjustment when the return is received in RAS.~~

~~—Allow field offices to enter critical information from the returns they receive into the same on line system.~~

~~Once the information is entered into the system, the field office will indicate the adjustments deemed necessary and transmit the revised figures on line to the Petition Section to complete the adjustment process. If the return filed indicates a higher taxable amount, Return Analysis will bill the amount in excess of the amount included in the determination.~~

~~When multiple returns are included in a single determination, offsets of decreased tax amounts against increased tax amounts will not be made. Periods with decreases will be adjusted by the Petitions Section after which the BT 897 will be forwarded to Return Analysis for billing of periods which disclose increases.~~

~~If the BT 897 is prepared for a determination which has been paid in full, the Petitions Section will forward the BT 897 to the Refund Section for processing.~~

**Processing Returns And Payments**

~~The district will process all returns through the cashier.~~

~~Every effort should be made by the district to ensure that any payments received with the return should be applied to the accounts receivable balance and not processed as a return payment.~~

~~If the payment is erroneously transmitted as a return payment or if the return and payment were sent directly to Headquarters by the taxpayer, the payment must be noted when entering the return information for the period in question.~~

**On-Line Processing**

~~The BT 897 on line system will allow:~~

~~—Posting adjustment information, miscellaneous comments, cancellation of a determination and adjustment of a determination.~~

~~—Posting return information, returns filed and measure estimated.~~

~~—Author review and release procedures.~~

~~—Supervisor review and release procedures.~~

~~—Multiple periods and re-adjustment procedures.~~

~~—Return Analysis and Petition Section procedures.~~

~~**For specific details and procedure refer to the On-Line 897 Procedure User's Guide.**~~

## **UNDERPAYMENTS OR OVERPAYMENTS OF \$10.00 OR LESS 545.000**

### **GENERAL 545.010**

Sections 13943.5 and 16302.1 of the Government Code limit the amount of underpayment or overpayment ~~which that~~ may be disregarded by a State agency at \$50.00. The Board's policy is to bill underpayments over \$10.00.

### **ACCOUNTS RECEIVABLE BALANCES 545.020**

Debit and credit balances of \$10.00 or less appearing ~~as a Difference on accounts receivable~~ are ~~automatically periodically~~ written off ~~each day~~. These balances will be disregarded in the preparation of any subsequent billings ~~which that~~ are processed after the balances are written off. A refund or credit for the amount written off may be re-established upon receipt of a claim from the taxpayer within the three-year limitation period.

### **~~FIELD~~DISTRICT COLLECTION 545.030**

Routine billing and collection procedures will not apply to underpayments of \$10.00 or less. However, in any case where the taxpayer voluntarily pays such an item, payment will be accepted. Similarly, if the district office must contact the taxpayer for some other reason, it ~~will be in order~~ is advisable to collect small items of \$10.00 or less at the same time. Likewise, where an account is closed-out and cash deposit is available, amounts due of \$10.00 or less will be deducted before refund is made.

### **MINIMUM AMOUNT OF OVERPAYMENT REFUNDS MADE WITHOUT CLAIMS 545.040**

Overpayments of \$10.00 or less with tax returns or accounts receivable items will not be refunded unless the taxpayer files a claim for refund within the three-year limitation period (six months with respect to determinations).

**DELINQUENCY CONTROL****550.000****GENERAL****550.010**

Delinquency control is that part of the Board's operation ~~which~~that identifies delinquent accounts and controls the preparation of notices and various reports pertaining to these accounts. Delinquent accounts, as referred to in this section, are:

- ⊕ ~~a~~Accounts ~~which~~that have failed to file tax returns,
- ⊕ ~~a~~Accounts ~~which~~that have been mailed Notices of Hearing for any reason, and
- ⊕ ~~a~~Accounts ~~which~~that have had their licenses or permits revoked for any reason.

The procedures outlined in this section pertain to sales and use tax accounts. Cigarette, use fuel, diesel fuel, motor vehicle fuel ~~tax~~ and alcoholic beverage tax delinquencies are controlled by the Special Taxes Department (STD). All notification of delinquencies, hearings and revocations for STD accounts will be issued by STD.

The Alcoholic Beverage Tax Law does not contain any provisions for revocation. The licenses issued under this law are nonrevocable by the Board. The Alcoholic Beverage Tax Law does, however, provide that the Board shall give written notice to the Department of Alcoholic Beverage Control whenever any taxpayer's bond is canceled or becomes unenforceable, or whenever there is a failure to report and pay any taxes or penalties which are due.

Delinquent motor vehicle fuel tax balances are not part of the Board's delinquency control function, but are the responsibility of the State Controller.

**DELINQUENCY CONTROL RECORDS****550.020**

~~The delinquency control records reflect active or closed out accounts which have not filed returns, active accounts which have been mailed Notices to Appear - Revocation Proceeding for any reason, and active accounts which have been mailed Notices of Revocation for any reason.~~

~~Return Period Delinquencies - Return period delinquencies are any delinquency established for failure to file a tax return. The majority of return period delinquencies are established by the mainframe computer. Other return period delinquencies are established as the result of Headquarters action or review of accounts on BTCIS. Headquarters action is often the result of receiving a BT-523 from a district office.~~

**Cause Delinquencies**

~~Field offices will establish "cause" delinquencies by on-line transactions at the district level.~~

~~Field offices will clear "cause" delinquencies by transmitting on-line.~~

**DELINQUENCY CONTROL CYCLE****550.030**

The delinquency control cycle consists of establishing a delinquent record, preparing a Notice to Appear - Revocation Proceeding, preparing a Notice of Revocation, and retaining the record until the delinquency is cleared and the permit or license is reinstated.

**Notice to Appear - Revocation Proceeding**

~~a~~NoticesNotice to Appear - Revocation Proceeding ~~are~~is mailed for delinquent records, i.e., returns, balance, and security, except in those circumstances listed below. For balances and security a "Cause Delinquency" must first be initiated. They are ~~The notice is~~ mailed approximately 30 to 60 days after the accounts becomes delinquent in filing tax returns. ~~They are~~It is mailed approximately 90 days after a determinations ~~have~~has been mailed and remains unpaid. ~~They are~~It is mailed approximately 60 days after a billings for non-remittance, partial remittance, or bad check ~~have~~has been issued. See also CPPM sections 360.030 and 751.030.



Notices to Appear - Revocation Proceeding are not mailed to the following:

1. Accounts on which the ~~return period~~ periodic delinquency to be cited has either a date or a permanent withhold.
2. Accounts ~~which that gave~~ have an account level withhold for either a date or a Bankruptcy.
3. Closed-out accounts.
4. Accounts with outstanding revocations.
5. Use Tax accounts (Final Notices are mailed to Use Tax accounts).
6. ~~Code 29~~ Part-time accounts.

### **Final Notices**

~~b. A~~ Final Notices ~~are is~~ mailed to a recorded active delinquent use tax accounts ~~which that have has~~ not cleared ~~tax return~~ periodic delinquencies. Final Notices are not mailed to closed-out accounts.

### **Notice of Revocations**

~~e. A~~ Notices of Revocations ~~are is~~ mailed to an active delinquent accounts for which the Notice to Appear - Revocation Proceeding ~~have has~~ been mailed. ~~They are~~ It is mailed approximately 80 to 125 days after the Notices to Appear - Revocation Proceeding ~~are is~~ mailed to the delinquent accounts, providing the account is still cited at the time the Notices of Revocation ~~are is~~ produced. Notices of Revocation are not mailed to the following accounts:

1. Closed-out accounts.
2. Use Tax accounts.
3. ~~Code 29~~ Part-time accounts.

## **DELINQUENCY CONTROL RECORD**

**550.040**

The delinquency control records reflect active or closed out accounts which have not filed returns, active accounts which have been mailed a Notice to Appear - Revocation Proceeding for any reason, and active accounts which have been mailed a Notice of Revocation for any reason.

### **Periodic Delinquent Record**

~~a. A tax return~~ A periodic delinquent record is established automatically when:

1. An account fails to file a return.
2. An account is reinstated after closed-out in error with an effective date prior to the current reporting period.
3. Change forms are processed affecting reporting periods ~~which that~~ may create ~~tax return~~ periodic delinquent records. Some examples are retroactive change of reporting basis, change of starting or close-out date, transfer of returns between accounts, etc.
4. An application for a new or converted account is processed with a starting date prior to the current reporting period.

### **Cause Delinquency Records**

~~b. Cause~~ delinquent records are established upon on-line request from ~~field district~~ offices or Special Procedures ~~Section, and Notices~~ Section. Notice to Appear - Revocation Proceedings are issued for:

1. Failure to Pay Balance Due (A/R).
2. Failure to Comply
3. Failure to Post Security.
4. Failure to Post Security Additional Security.

5. Failure to Post Security Replacement Security.

6. Failure to Comply: SG

Failure to pay delinquent balances.

2. Failure to post security.

3. Failure to comply with a particular section of the law.

## DELINQUENCY CONTROL RECORD CLEARANCE

550.070

### Periodic Delinquency

a. ~~A tax return~~ A periodic delinquency is cleared when any tax ~~return, or tax return or~~ facsimile, for a delinquent period is processed in ~~H~~headquarters.

**NOTE:**—When a partial remittance or non-remittance sales tax return is processed in ~~h~~Headquarters between the mailing of the ~~Notice of Hearing~~ Notices to Appear - Revocation Proceeding, and the mailing of the Notice of Revocation, the account appears on a report "Cites Cleared by NR/PR" which is output from the Delinquency 3 Reports screen. ~~The return period~~ periodic delinquency is cleared by the NR or PR return. If desired, districts may reestablish the citation record for the cause reason of Failure to Pay Balance Due anytime prior to the next revocation cycle ~~producing of Revocations for the particular list number involved.~~

~~A tax return delinquency record may also be cleared by processing forms affecting reporting periods.~~ Processing forms ~~C~~changes affecting reporting periods may also clear a periodic delinquency record. Some examples are retroactive change of reporting basis, change of starting or close-out date, transfer of returns between accounts, etc. A reinstatement application will not clear a ~~tax return~~ periodic delinquent record.

### Cause Delinquency

b. ~~Other delinquent records~~ Cause delinquencies described in section 550.040 are cleared when the taxpayer clears the cause for which the delinquent record was established, or by a request from the ~~field~~ district office or from ~~H~~headquarters. ~~These delinquent records are:~~

1. ~~Notice to Appear—Revocation Proceeding for failure to pay delinquent balances.~~

2. ~~Notices to Appear—Revocation Proceeding for failure to post security.~~

3. ~~Notices to Appear—Revocation Proceeding for failure to comply with a particular section of the law.~~

### Notices of Revocation.

A. ~~Inoperative~~ revocations are cleared by districts using on-line delinquency actions.

B. ~~Active~~ revocations are cleared by reinstatement application or close-out. Reinstatement applications or ~~close-out forms~~ closeout will also clear delinquent records established for cause (failure to post security, failure to pay delinquent balances or failure to comply with a particular section of the law).

e. To prevent ~~the erroneous~~ mailing of a ~~Notices~~ a Notice to Appear - Revocation Proceeding or ~~Notices of Revocation~~ the field offices a Notice of Revocation, the district office must promptly process close-outs, withholds, payments, returns and other documents that clear delinquencies. These documents, including "No Sales" tax returns, must be ~~forwarded sent~~ to ~~h~~Headquarters no later than the day following their receipt in the district office. ~~Field~~ District offices will establish on-line withholds when ~~appropriate processing reinstatement after revocation applications, issue cancel applications, reinstatement after close out in error documents and inoperative revocation documents (Form BTBOE-16) for accounts which have delinquent records. These automatic withholds, when established, allow sufficient time to clear delinquent records before mailing Notices to Appear—Revocation Proceeding.~~

These kinds of transactions processed for a period extending from the 25th of a month through the 24th of the month will have a withhold release date of the following month.

For example: ~~An application for reinstatement after revocation processed April 1 through April 24th will have a withhold release date of May. An application for reinstatement after revocation processed April 25 through April 30 will have a withhold release date of June.~~

#### **ON LINE REQUEST TO CHANGE, ADD OR CLEAR DELINQUENCY CONTROL RECORD 550.080**

~~On line procedures are used to establish or clear a delinquent record for failure to pay a delinquent balance, failure to post security, or failure to comply with a specific section of the law.~~

~~This procedure is also used to postpone the mailing of a Notice to Appear—Revocation Proceeding or Notice of Revocation for a predetermined length of time when the reason for either action is failure to file a return.~~

~~Headquarters delinquency and revocation dates are contained on the Calendar of Sales Tax Functions.~~

#### **DELINQUENT INVENTORY OF AGED CLOSED-OUT ACCOUNTS 550.120**

~~Districts use the Delinquency Review Program (DEL REV) to generate delinquency reports. This program will produce customized reports based on parameters entered by the user.~~

~~An inventory list of delinquencies for aged closed-out accounts is prepared quarterly; January, April, July and October. The delinquent inventory of aged closed-out accounts contains delinquencies for accounts with a close-out date over nine months old and a close-out process date over six months old. The dates used for the selection of the aged closed-out delinquencies appear in the heading. Upon receipt of the list, the district should use DEL 2 and DEL 7 to make a concerted effort to clear these old delinquencies.~~

#### **PREPAYMENT MONTHLY DELINQUENT LIST 550.130**

~~One month after prepay forms are due, the districts are furnished a list of sales tax accounts which failed to make a timely prepayment. For identification, the list will be headed "Accounts Failing to Make Prepayments for the Month of \_\_\_\_\_". Districts may also print this list from the DEL video program.~~

~~The delinquent prepayment list will include the following:~~

~~—Prepayment accounts that have not filed a prepayment.~~

~~The delinquent prepayment list will not include the following:~~

~~—Prepayment accounts that have filed a "No Remittance" prepayment.~~

~~—Prepayment accounts that have filed a "PR" prepayment.~~

~~—Prepayment accounts that have filed a "Zero" prepayment.~~

~~—Delinquent prepayment accounts that are on a special reporting basis.~~

~~—Delinquent prepayment accounts that have a permanent extension.~~

~~—Delinquent prepayment accounts that are closed-out.~~

~~Only current periods will be included in the prepayment list. For example, the September list will include only the July prepayment delinquencies; the October list will include only the August prepayment delinquencies, even though the July prepayment is also delinquent.~~

~~Any request to cite for other than the prepayment period appearing on the listing will need to be made on-line.~~

#### **DELINQUENCY PROCEDURE ON "SG" ACCOUNTS 550.140**

~~"SG" accounts are not included in the normal delinquency system. Revocation of an "SG" account is not provided for. Failure to comply with the requirements established by Section 6480, etc., constitutes a violation of Section 6070 and provides cause for revocation of the taxpayer's seller's permit (tax programs SR, SY, etc.).~~

~~Each month, the Technology Services Division will provide a listing of "SG" accounts which have failed to file a return. Districts should review the list and take appropriate action to clear the delinquency. Seller's permits of delinquent SG accounts may be scheduled for a Revocation Proceeding by establishing a cause delinquency following the procedures outlined in the User Guide for the On Line Delinquency Program and policy stated in CPPM 550.070 et. seq~~

EXHIBITS

|                                                                                                     |           |
|-----------------------------------------------------------------------------------------------------|-----------|
| Debit and Credit Interest Rate Information.....                                                     | Exhibit 1 |
| Schedules Required To Be Filed .....                                                                | Exhibit 2 |
| Official State Holidays.....                                                                        | Exhibit 3 |
| Consumer Use Tax Procedures for Vehicles, Mobilehomes, Vessels, Aircraft, and Customs Program ..... | Exhibit 4 |

**DEBIT AND CREDIT INTEREST RATE INFORMATION  
BOARD OF EQUALIZATION**
**Exhibit 1**

| PERIOD              | ANNUAL RATE |        | COMPUTED ON            | METHOD/FACTOR                              |
|---------------------|-------------|--------|------------------------|--------------------------------------------|
|                     | DEBIT       | CREDIT | ON                     |                                            |
| 01/01/76 - 05/31/82 | 12%         | 12%    | Tax Only               | Per Year Computed<br>Monthly/.01/month     |
| 06/01/82-12/31/82   | 18%         | 18%    | Tax Only               | Per year Computed<br>Daily/.00049315/day   |
| 01/01/83-02/28/83   | 14%         | 14%    | Tax Only               | Per Year Computed<br>Daily/.00038356/day   |
| 03/01/83-06/30/83   | 16%         | 16%    | Tax Only               | Per Year Computed<br>Daily/.00043836/day   |
| 07/01/83-06/30/84   | 11%         | 11%    | Tax &<br>Interest      | Per year Computed<br>Daily/Use Schedule    |
| 07/01/84-12/31/84   | 11%         | 11%    | Tax, Int. &<br>Penalty | Per year Computed<br>Daily/use Schedule    |
| 01/01/85-06/30/85   | 13%         | 13%    | Tax, Int. &<br>Penalty | Per Year Computed<br>Daily/Use Schedule    |
| 07/01/85-12/31/85   | 14%         | 14%    | Tax only               | Per year Computed<br>Monthly/.01167/month  |
| 01/01/86-06/30/86   | 13%         | 13%    | Tax Only               | Per year Computed<br>Monthly/.01083/month  |
| 07/01/86-12/31/86   | 12%         | 12%    | Tax Only               | Per year Computed<br>Monthly/.01/month     |
| 01/01/87-09/30/87   | 11%         | 11%    | Tax Only               | Per Year Computed<br>Monthly/.009167/month |
| 10/01/87-12/31/87   | 13%         | 13%    | Tax Only               | per year Computed<br>Monthly/.01083/month  |
| 01/01/88-03/31/88   | 14%         | 14%    | Tax Only               | Per year Computed<br>Monthly/.01167/month  |
| 04/01/88-09/30/88   | 13%         | 13%    | Tax Only               | Per year Computed<br>Monthly/.01083/month  |

APPENDIX A

(cont.) 550.150

DEBIT AND CREDIT INTEREST RATE INFORMATION  
BOARD OF EQUALIZATION

Exhibit 1 (cont.)

| <u>PERIOD</u>     | <u>ANNUAL RATE</u> |               | <u>COMPUTED ON</u> | <u>METHOD/FACTOR</u>                                                      |
|-------------------|--------------------|---------------|--------------------|---------------------------------------------------------------------------|
|                   | <u>DEBIT</u>       | <u>CREDIT</u> | <u>ON</u>          |                                                                           |
| 10/01/88-03/31/89 | 14%                | 14%           | Tax Only           | Per Year Computed<br>Monthly/.01167/month                                 |
| 04/01/89-09/30/89 | 15%                | 15%           | Tax Only           | Per year Computed<br>Monthly/.01250/month                                 |
| 10/01/89-06/30/91 | 14%                | 14%           | Tax Only           | Per Year Computed<br>Monthly/.01167/month                                 |
| 07/01/91-12/31/91 | 14%                | 6%            | Tax Only           | Per year Computed<br>DR. Monthly/.01167<br>CR. Monthly/.00500/month       |
| 01/01/92-06/30/92 | 13%                | 6%            | Tax Only           | Per year Computed<br>DR. Monthly/.01083/month<br>CR. Monthly/.00500/month |
| 07/01/92-12/31/92 | 12%                | 4%            | Tax Only           | Per Year Computed<br>DR. Monthly/.01000/month<br>CR. Monthly/.00333/month |
| 01/01/93-06/30/93 | 11%                | 3%            | Tax Only           | Per Year Computed<br>DR. Monthly/.09167/month<br>CR. Monthly/.00250/month |
| 07/01/93-12/31/94 | 10%                | 3%            | Tax Only           | Per Year Computed<br>DR. Monthly/.00333/month<br>CR. Monthly/.00250/month |
| 01/01/95-06/30/95 | 11%                | 34%           | Tax Only           | Per Year Computed<br>DR. Monthly/.09167/month<br>CR. Monthly/.00250/month |
| 07/01/95-06/30/96 | 12%                | 6%            | Tax Only           | Per Year Computed<br>DR. Monthly/.01000/month<br>CR. Monthly/.00500/month |
| 07/01/96-06/30/97 | 12%                | 5%            | Tax Only           | Per Year Computed<br>DR. Monthly/.01000/month<br>CR. Monthly/.00417/month |

## APPENDIX A

(cont.2) 550.150

**DEBIT AND CREDIT INTEREST RATE INFORMATION****BOARD OF EQUALIZATION****Exhibit 1 (cont.)**

| <u>PERIOD</u>            | <u>RATE</u>  |               | <u>COMPUTED ON</u> | <u>METHOD/FACTOR</u>                                                                           |
|--------------------------|--------------|---------------|--------------------|------------------------------------------------------------------------------------------------|
|                          | <u>DEBIT</u> | <u>CREDIT</u> |                    |                                                                                                |
| <u>07/01/96-12/31/98</u> | <u>12%</u>   | <u>5%</u>     | <u>Tax Only</u>    | <u>Per year Computed</u><br><u>DR. Monthly/.01000/month</u><br><u>CR. Monthly/.00417/month</u> |
| <u>01/01/99-06/30/99</u> | <u>11%</u>   | <u>5%</u>     | <u>Tax Only</u>    | <u>Per Year Computed</u><br><u>DR. Monthly/.00917/month</u><br><u>CR. Monthly/.00417</u>       |
| <u>07/01/99-12/31/99</u> | <u>10%</u>   | <u>4%</u>     | <u>Tax Only</u>    | <u>Per Year Computed</u><br><u>DR. Monthly/.00833/month</u><br><u>CR. Monthly/.00333/month</u> |



**SCHEDULES REQUIRED TO BE FILED**

**Exhibit 2**

**[Exhibits to be added in next revision]**

**Official State Holidays****Exhibit 3**

|                                                                                                                                                |                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <u>New Year's Day</u>                                                                                                                          | <u>January 1</u>                              |
| <u>Martin Luther King, Jr. Day</u>                                                                                                             | <u>Third Monday in January</u>                |
| <u>Lincoln's Birthday</u>                                                                                                                      | <u>February 12</u>                            |
| <u>President's Day</u>                                                                                                                         | <u>Third Monday in February</u>               |
| <u>Cesar Chavez Day</u>                                                                                                                        | <u>March 31</u>                               |
| <u>Memorial Day</u>                                                                                                                            | <u>Last Monday in May</u>                     |
| <u>Independence Day</u>                                                                                                                        | <u>July 4</u>                                 |
| <u>Labor Day</u>                                                                                                                               | <u>First Monday in September</u>              |
| <u>Columbus Day</u>                                                                                                                            | <u>Second Monday in October</u>               |
| <u>Veterans Day</u>                                                                                                                            | <u>November 11</u>                            |
| <u>Thanksgiving Day and Day After</u>                                                                                                          | <u>Fourth Thursday and Friday in November</u> |
| <u>Christmas</u>                                                                                                                               | <u>December 25</u>                            |
| <u>Every day appointed by the President of the United States or by the Governor of this State for a public fast, thanksgiving, or holiday.</u> |                                               |

If one of the foregoing legal holidays falls on a Sunday, the following Monday is a legal holiday.

If Veteran's Day falls on a Saturday, the preceding Friday is a legal holiday

## **Consumer Use Tax Procedures for Vehicles/Mobilehomes, Vessels, Aircraft, and Customs Program**

**Exhibit 4**

### **VEHICLES/MOBILEHOMES**

Use Tax on vehicles and mobilehomes is due and payable by the purchaser at the time storage, use or other consumption of the property first becomes taxable, unless specifically exempt. Registering a vehicle with the Department of Motor Vehicles (DMV) or a mobilehome with Housing and Community Development (HCD) constitutes filing a return. The use tax will be collected, if applicable, by DMV or HCD at the time of registration.

#### **Persons Required To File**

**Any person who purchases a vehicle (as defined in the Vehicle Code) or mobilehome for use in California from a person who is not licensed or certificated as a manufacturer, dealer, dismantler, or lessor-retailer, and, who has not made application for registration with the DMV or HCD shall file a Consumer Use Tax Return for Vehicles/Mobilehomes (BOE-401CSA).**

#### **Measure and Due Date**

Vehicles – The measure is the total purchase price, unless specifically exempt.

Mobilehomes – Effective January 1, 1986, the measure is the total contract price or the retail value as determined by the Kelley Blue Book Manufactured Housing and Mobilehome Guide or the NADA Mobilehome Manufactured Housing Appraisal Guide, **whichever is lower.**

Tax is due on or before the last day of the month following the month of purchase.

### **VESSELS - DOCUMENTED**

**Documented Vessel** – A vessel documented by the United States Coast Guard (USCG) and issued a valid marine certificate. Documentation is a world wide registration system in lieu of all other registration requirements.

#### **Persons Required to File**

Any person who purchases a vessel for use, storage or other consumption in California documented by the USCG shall file a Consumer Use Tax Return for Vessels (BOE 401-CSB).

#### **Measure and Due Date**

The measure is the total purchase price of the vessel, unless specifically exempt. *\*(The use tax rate is based on where the vessel is principally moored or berthed.)*

The return must be filed and tax paid (if applicable) on or before the last day of the calendar month following the month in which the return form is mailed or presented to the taxpayer, **or** the last calendar day of the 12<sup>th</sup> month following the month in which the vessel was purchased, whichever period expires first.

*Example: Purchase date of 01/15/96. Return mailed to taxpayer on 07/16/96 would have a tax due date of 08/31/96. However a return mailed to the taxpayer on 05/12/97 would have a tax due date of 01/31/97 and penalty and interest would be due.*

### **VESSELS - UNDOCUMENTED**

**Undocumented Vessel** – Any vessel which is not required to have, and does not have a valid marine certificate issued by the USCG, but must be registered in the state where principally used on the waters.

DMV registers undocumented vessels for the State of California as an agent for the Department of Boating and Waterways. Registering a vessel with DMV constitutes filing a return. The use tax will be collected, if applicable, by DMV at the time of registration.

### **Persons Required To File**

Any person who purchases an undocumented vessel for use in California from a person other than a vessel dealer holding a seller's permit, and, who has **not** made application to DMV, shall file a Consumer Use Tax Return for Vessels (BOE 401-CSB).

### **Measure and Due Date**

The measure is the total purchase price of the undocumented vessel, unless specifically exempt. (*The use tax rate is based on where the vessel is principally moored or berthed.*)

Tax is due on or before the last day of the month following the month of purchase.

## **AIRCRAFT**

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### **Persons Required To File**

Any person who purchases an aircraft for use, storage or other consumption in California from a person other than an aircraft dealer holding a seller's permit shall file a Consumer Use Tax Return for Aircraft (BOE 401-CSP) and pay the use tax to the Board. The only agency which licenses an aircraft dealer is the Board of Equalization.

### **Measure and Due Date**

The use tax due is measured by the total purchase price of the aircraft, including component parts, unless specifically exempt. (*\*The use tax rate is based on where the aircraft is principally hangared.*)

The return must be filed and tax paid (if applicable) on or before the last day of the calendar month following the month in which the return form is mailed or presented to the taxpayer, or **the** last calendar day of the 12<sup>th</sup> month following the month in which the aircraft was purchased, whichever period expires first.

## **CUSTOMS**

Use tax returns for purchases made in foreign countries and brought through U.S. Customs are mailed by CUTS once an account has been established. CUTS reviews duty declarations that meet selection criteria after the \$400 per person exemption available pursuant to Section 6405 of the Sales and Use Tax Law.

### **Persons Required to File**

Any California resident traveling to a foreign country who hand carries merchandise purchased for storage, use or consumption and pays U.S. Customs duty, may be mailed a use tax return unless specifically exempt.

### **Measure and Due Date**

The measure is the total purchase price of property, less the \$400 exemption(s) in U.S. dollars, declared to the U.S. Customs Service, unless specifically exempt.

Tax is due on or before the last day of the calendar month following the month in which the return form is mailed.

## **EXEMPTIONS**

Every purchase of a vehicle, vessel or aircraft from a private party or non-dealer is subject to use tax unless specifically exempt. These are some of the exemptions that are common to Consumer Use Tax accounts:

- Family transfers
- Purchases for resale (no permit)
- Out of state delivery and use (principle use or 90-day rule)
- Common Carriage
- Commercial Deep Sea Fishing

There are other exemptions the law allows in certain situations, but the purchaser is responsible for documenting the specific claim for exemption. Refer to Pamphlet 52 for guidelines.

## **PENALTY AND INTEREST ON USE TAX DUE ON VEHICLE/MOBILEHOME OR UNDOCUMENTED VESSEL**

Interest and penalties may accrue on use tax liabilities arising from purchases of vehicles, mobilehomes and undocumented vessels.

Interest and/or penalties APPLY to the use tax where:

- A purchaser is delinquent in transferring registration of the vehicle, undocumented vessel, or mobilehome through DMV or HCD. The purchaser is subject to penalty, and/or interest when application for registration with DMV or HCD is not made within 30 days of the change in ownership, even if the change in ownership was never registered with DMV or HCD, as in the case of some multiple transfers.
- A purchaser is late in filing a return with the Board.
- A purchaser underpaid or failed to pay the tax to DMV, HCD or the Board.
- A purchaser of a vehicle, vessel, or aircraft registers it outside the State of California for the purpose of evading the payment of taxes. A 50 percent penalty of any tax determined to be due on the sales price of the vehicle, vessel, or aircraft may be assessed (section 6485.1).

The following table illustrates specific situations in which penalty and interest applies to use tax due on purchases of vehicles, undocumented vessels or mobilehomes:

Purchaser Has Applied For Registration With Department Of Motor Vehicles Or Department Of Housing And Community Development

| <b><u>HOW TAX WAS PAID</u></b>                                                                        | <b><u>HOW PENALTY AND INTEREST APPLIES</u></b>                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. <u>Use tax was timely paid to DMV/HCD and the owner paid the correct amount of tax.</u>            | <u>No penalty or interest is due.</u>                                                                                                                                                                                                                                                                                                                     |
| 2. <u>Use tax was timely paid to DMV/HCD, but the owner paid less than the correct amount of tax.</u> | <u>The Board issues a determination for the additional tax. Interest is due on additional tax per Section 6482. No penalty for late payment applies because Section 6591 does not apply to determinations. Penalties for negligence, intentional disregard, or fraud may be assessed, if warranted, on the additional tax per Sections 6484 or 6485.*</u> |
| 3. <u>Use tax was not timely paid to DMV/HCD, but the owner paid the correct amount of tax.</u>       | <u>Section 6292 paragraph (b) provides the late payment penalty applies per Section 6591 and is collected by DMV/HCD, but no interest is due.</u>                                                                                                                                                                                                         |

Compliance Policy and Procedures Manual

|                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. <u>Use tax was not timely paid to DMV/HCD, and the owner paid less than the correct amount of tax.</u> | <u>Section 6292 paragraph (b) provides the late payment penalty applies per Section 6591, but no interest is due on the tax paid to DMV/HCD. However, when the Board issues a determination for the additional tax, interest is due on the additional tax assessed by the Board per Section 6482. Penalty may be due, if warranted, on the additional tax per Sections 6484 or 6485 for negligence, intentional disregard or fraud.*</u> |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Purchaser Has Not Applied For Registration With Department Of Motor Vehicles Or Department Of Housing And Community Development**

| <b><u>HOW TAX WAS PAID TO THE BOARD</u></b>                                 | <b><u>HOW PENALTY AND INTEREST APPLIES</u></b>                                                                                                                                                                                       |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. <u>No return was filed.</u>                                              | <u>Determination is issued and penalty assessed by the Board on the unpaid tax (Section 6511-Failure to file a return). Interest is assessed per Section 6513. If warranted, fraud penalty may also be assessed (Section 6514).*</u> |
| 2. <u>A return was filed, but the use tax transaction was not reported.</u> | <u>Determination is issued for the estimated tax. If warranted, the penalty for either negligence or fraud may be assessed pursuant to Section 6484 or 6485. Interest is due per Section 6513. *</u>                                 |
| 3. <u>A return was filed late with the correct amount of tax paid.</u>      | <u>Penalty and interest are due per Section 6591.</u>                                                                                                                                                                                |
| 4. <u>A return was filed late with no remittance.</u>                       | <u>A demand is issued for tax. Late penalty and interest due per Section 6591.</u>                                                                                                                                                   |

\*The finality penalty of 10% as specified in Section 6565 applies only to the tax for which determinations are issued by the Board if not paid within the required time limit. However, if a petition for redetermination is filed timely, the finality penalty does not apply.